THE EFFECT OF CORPORATE SOCIAL RESPONSIBILITY, POLITICAL CONNECTION, AND OWNERSHIP STRUCTURE TO CORRUPTION RISK IN COMPANIES LISTED ON TRANSPARENCY INTERNATIONAL

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Abstract

This study aims to investigate the effect of corporate social responsibility, political connections and ownership structures on the corruption risk in a global scale. We utilize 116 largest multinational companies listed on the Transparency International Reports in the period of 2014 and 2016 sample. Data are then analyzed using Smart PLS 3 with the PLS Algorithm and Bootstrapping tests. The fundings show that corporate social responsibility influence the corruption risk whereas political connection and ownership structure positively affect the corruption risk. The study implies the importance of considering corporate social responsibility, political connection and ownership structure when assessing fraud risks of companies, especially corruption risks.

Keywords: *Corporate Social Responsibility, Political Connection, Blockholder Ownership, and Corruption Risk (Transparency Index)*

INTRODUCTION

Fraud is a unique global phenomenon in various parties include academic. Corruption is one of them with increasing cases. Some cases among others are bribery, economic extortion and facilitation payment. No country can be free from corruption and negative impact. Bad effect of corruption shown by Berggren & Bjørnskov (2020) that explained the level of corruption is directly propotional to the level of income and consumption inequality thus worsening the country’s economy. Giang, Xuan, & Hai (2016) also conclude that corruption can damage the household sector which contributes greatly to the country’s economic growth. Corruption has an impact on the loss of market value and company’s financial performance until bankruptcy (Ojeka et al., 2019). Not only in public sector or involving state assets, corruption cases can also occur in the corporate sector. Fazekas & Tóth (2016); Giang et al. (2016); Qi et al. (2020); Xie & Zhang (2020) proved that many officials and corporate sectors are corrupt through business transactions. This is reflected in corruption risk published by institution such as Transparency International in Corruption Perception Index.

Corruption Perception Index (CPI) is one of the most popular level measures of corruption from Transparency International and is often used as reference for studies/researches (Wijayanto, 2009). Transparency International defines corruption risk as a potential for corruption and the cost associated with corruption (Krishnamurti, Shams, & Velayutham, 2018a). The 2019 survey illustrates that the countries with lowest levels of corruption cases are New Zealand and Denmark with the highest CPI scores of eighty-seven. Meanwhile,the country with the highest level of corruption cases is Somalia with the lowest CPI score of nine. *Transparency International* (2016) revealed that there are many multinational companies and their subsidiaries or afiliates that do not disclose information transparently in each period. These companies include, Google (2012) and Oracle (2012). The lower the company discloses its transparency, the higher the chance for internal parties to commit fraud, one of which is corruption (Arjaliès & Mundy, 2013; Krishnamurti et al., 2018a; Ramón-Llorens, García-Meca, & Pucheta-Martínez, 2019; Zheng & Ren, 2019).

There were phenomenon gap and research gap in this study. Multinational companies have implemented CSR programs, received environmental and social awards and have implemented the best governance, but they have not anti-corruption practices even there are internal companies who commit corruption such as bribery in business partner or official (Krishnamurti et al., 2018a). This gap phenomenon has encourage further research about the effect of CSR on corruption risk in corporate sector. Previous research literatur shows that CSR is proven to reduce the corruption risk because CSR has a competitive value in company internal communication, supports the audit process also avoids illegal and harmful transactions (Arjaliès & Mundy, 2013; Font, Walmsley, Cogotti, McCombes, & Häusler, 2012; Krishnamurti, Shams, & Velayutham, 2018b; Zheng & Ren, 2019). This conclusion is contrary to Barnea & Rubin (2010) dan Sari, Handayani, & Nuzula (2016) that the corporate which is invest too much in CSR have potential to reduce company value also CSR conflict between shareholders and social goals. Thus, the higher CSR activities can lead to higher harm impacts such as corruption in the company.

Tranparency becomes a major component of Corporate Social Responsibility (CSR) when stakeholders claim higher quality information about CSR activities (Krishnamurti et al., 2018a). This CSR activity and disclosure is supported by stakeholder theory. Company rely on social environment, therefore it has to maintain relationship with stakeholders for good long-term stability (Wulandari, Anak Agung Ayu Intan dan Sudana, 2018). Stakeholders monitor the company's performance and evaluate CSR activities so that it fulfills corporate accountability (Ferdiansyah, 2017; Riswari, DA & Cahyonowati, 2012). Stakeholders who control CSR activities will support quality improvement of transparancy elements for evaluating corruption risk (Krishnamurti et al., 2018b).

Regarding corporate transparency, political connection had positively impact to the level of corporate environmental disclosure. Political connection reduced corruption risk in higher information disclosure (Qian & Chen, 2020). Nevertheless, study about political connection was not accordance with corporate political practice (Hillman, 2005). Company with political connection had an impact to weak quality of corporate governance and communication between board of directors and shareholder rights (Dicko, 2017). The strong political regimes taken advantage on resources for personal interest and corruption (Khlif & Amara, 2019; Titeca & Edmond, 2019). Based on political network theory (*Political Network Theory* – PNT), research conducted by H. Wang & Ma, (2019) explains that company must had close relationship to officials and invested in political connection for gained public trust. It was made company involved in bribery. Corrupt government and political system had a little funds foreducation, welfare and infrastructure (Mauro, 1995). Company with political connection had higher opportunity to commit corruption. It becaused there were many communications and connections to seek advantage for certain party.

Several previous studies documented that blockholder ownership structure had important implication for assessing company performance (Benamraoui, Jory, Mazouz, Shah, & Gough, 2019; Shleifer & Vishny, 1994; Thomsen & Pedersen, 2000). Company sustainability was affected by shareholder (owner) as a principle who had the power to make decisions and regulation also controlled agent or company (Haider, Liu, Wang, & Zhang, 2018). Benamraoui et al. (2019) concluded that blockholder ownership reduced agency problem such as contributed in managerial policy setting and increased firm value. Nevertheless, blockholder ownership with too high power caused arbitrariness over the company's management. Rubio-Misas (2020) found that higher blockholder ownership could reduce finance performance in shariah and conventional company. It becaused of higher cash flow and shares in blockholder ownership have more risk.

This research focuses on examining about corruption risk as defined by Krishnamurti et al., (2018a) about the effect of CSR on corruption risk globaly with Anti Corruption Programme (ACP) as a proxy of corruption risk. While in this study, we used transparency index. This proxy was more representative as a corruption risk assessment beacused tranparency value was a total of three components i.e. *Anti Corruption Programme* (ACP), *Organizational Transparency* (OT) dan *Country by Country* (CBC). Thus, the results of study on corruption risk measurement could be stronger an more accurate. In addition, this study adds political connection and share ownership structure as independent variables.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Literature Review

Stakeholder theory requires company to carry out social responsibility and listen the interest of parties who effected by company's operation such as investor, shareholder, creditor, supplier, consumer, government, education and research, etc. They are parties who influence and are influenced by company's activity and policy (Ghozali dan Chariri, 2007). The way to examine stakeholder theory is financial statement analysis (Guthrie, 2006). Stakeholder will evaluate activities and performance of company, therefore there is a need accountability in every copampany report. Thus, stakeholder theory encourage organization tp watch compliance behavior and minimize various fraud risk in company.

Principle agent theory or agency theory presents that there are two different relation and purpose between agent and principle. First party (principal) delegated work to second party (agent), then agent got a incentive or some compensation ((Anderson, R.C., Reeb, D.M., n.d.; Morck, R., Shleifer, A., Vishny, 1988). This theory explained about influence non-financial factors such as CSR implementation, political connection, and share ownership structure to fraud. This is described by company's internal funds which have decreased, but manager must be responsible about company performance to principal. Manager gave a loss to principle if he proven to manipulate financial statement, give inappropriate information, did a corruption and aset misappropriation. This fraudulent will harm the company, especially principal, shareholders, investor and creditor.

Political network theory (PNT) showed that company manager has a relationship to government officials and is able to develop partnerships (Li, Xia, Yu, & Zhang, 2008). Firstly, PNT developed from political sociology literature and was used to study policy making (Yang, Jiao, & Buckland, 2017). Same with (Xie & Zhang, 2020) argued that if political connection and blockholder ownership was hold by government, so it would control company's decision. But, if the government and political was corrupt, it would give a harm to company and encourage companies to engage in corruption risk. Therefore, PNT further strengthens the statement that stronger value of political connection variabel will makes higher corruption risk in company.

Based Indonesia Dictionary (KBBI, 2019) that corruption is abuse or misappropriation of state or company's money or goods for personal interest. Then, according to Transparency International, definition of corruption is unreasonably and illegally behavior of public officials, whether politicians or civil servants which aimed to enrich themselves by abusing public power (International, 2016). According to Krishnamurti et al., (2018a) about corruption risk that institution quality, governance systematic and legislative oversight, also explicit mechanisms controlled corruption. Also, they found factors such as visibility and share ownership as important role in mitigating corruption risk. In this study, corruption risk is assessed by transparency index. when higher Transparency Index score, then smaller corruption risk value. Thus, calculation of the corruption risk value is maximum transparency index (10) minus transparency index value in that company. This transparency index is a total average rating of the three dimensions in the company's transparency report, they are Anti Corruption Programme (ACP), Organisation Transparency (OT), and Country by Country (CC).

According to the International Standard ISO 26000, Corporate Social Responsibility (CSR) is a operational accountability and company policies which impact on society and environment in transparent and ethical manner. Currently, CSR activities and disclosures in financial statements are increasing to assess the company's performance in environment and social responsibility. When better environmental and social performance, then better stakeholder's perception of the company. (Kim, Park, & Wier, 2012) stated that when higher CSR activity level, then lower chances of earnings management involvement. Richardson & Lanis (2007) showed that CSR disclosure is negatively related to tax aggressiveness. Compliance in legal tax planning, disclosures and tax payment are form of CSR activity towards stakeholders (Fallan, 2019). In this study, CSR is assessed based on general standards for three factors ranking namely environmental, social, and entity governance.

There is a political connection in company if it has at least one of the major shareholders (people who have at least 10% of the total voting rights) or one of leaders (CEO, President, Vice President, Chair or Secretary) is a member of parliament, government or a political party (Faccio, 2006). The company will get a protection from government, has a easy access to capital loans and bailouts when a financial crisis. In addition, the company has a low risk related to tax audits and company financial transparency, so it will impact in higher risk of fraud (Butje & Tjondro, 2014). In a corporate business partnership, the principal is a public authority and the agent is company. In order to gain trust in the public network, company should invest in establishing political connections (having close ties to politicians or government officials) (Niu, Yu, Fan, & Zhang, 2019). Corruption explain relationship between politics and business to influence illegal decisions for the personal benefit and preferential treatments for company (Yongming & Yini, 2017). If the country or government have high corruption level, so company with political connection might get benefits or advantages in the short term from corruption parties (Faccio, 2006). But, eventually, company has a lower financial performance because when politician gives resources to company, then it makes misallocation of investment, distorting incentives and increasing corruption (Shleifer & Vishny, 1994).

The most influence of share ownership structure on company's performance is blockholder ownership which is shareholders with ownership greater than or equal to 25% of the company's total shares (Solikhah & Jariyah, 2020). Blockholder ownership has high authority in company decision making and affects company performance (Benamraoui et al., 2019). Blockholder ownership or institutional ownership is controlling investor in company who has a strong urge to get information and strive for better company performance (Kang, Chung, & Kim, 2019). They have cash flow rights and are able to put pressure on CEOs to increase revenue, thereby they can control the company (Mangena, Priego, & Manzaneque, 2020). Nevertheless, blockholder ownership not only has discretion over the company's accounting disclosures but also has incentive power to manipulate financial information and potential earnings management for personal gain (Jiang, Ma, & Wang, 2020). Sheng, Zhou, & Zhang (2019) showed that the level of corruption risk is higher in state-owned company because the dominant ownership structure is controlled by a single party (government) than private company because the ownership structure is spread over the public.

Hypotheses Development

CSR programs disclosed more information, transparency and reduce the company's risk level (Y. Kim, Li, & Li, 2014). Studies showed that CSR activities basically improved the company reputation with stakeholders and strengthened internal and external processes (Attig, Cleary, El Ghoul, & Guedhami, 2013; Sun & Cui, 2014). CSR had a competitive value in internal motivation and communication, supported the audit process also avoided involvement of greedy and illegal transaction (Arjaliès & Mundy, 2013; Zheng & Ren, 2019). Stakeholder theory in CSR activity contributed to effect company performance. Stakeholders would claim accountability through transparency information which is CSR disclosure (Riswari, DA & Cahyonowati, 2012). The higher transparency disclosure would reduce fraud risk in company. Through multi-stakeholder initiative, anti corruption programme encouraged companies to eradicate corruption (Barkemeyer, Preuss, & Ohana, 2018).

H1: Corporate Social Responsibility (CSR) has a negative influence to corruption risk in global companies listed in Transparency International.

Political network theory (PNT) present a main idea that company with political connection had increasingly communication and relationship to many political parties for certain party benefit (Wang & Ma, 2019). Based on Global Corruption Barometer (GCB) survey on 2009 period that police, parliament, judiciary an political parties was the most corrupt institution in Indoesia since 2005 until 2007. Money politic changed parliaments's orientation to prioritize donors rathen than constituents (Wijayanto dan Zachrie, Ridwan, 2009). Khlif & Amara, (2019) dan Lehne et al. (2018) stated that political connection related with tax evasion. This connection became stronger in high corruption level. Political would effect management and company decisions. So, if this country was corrupt therefore company had higher opportunity to be involved in fraud.

H2: Political connection has a positive influence corruption risk on global companies listed in Transparency International.

Based on agency theory, agent tended to follow requests and orders from the principal. If the principal's leadership style tended to monopolize the company and quality of corporate governance was a weak, so it would encourage fraud such as corruption. The higher blockholder ownership caused the lower management agency cost. Thus, blockholder ownership effect on earning manipulation. Adanya keberadaan *blockholder ownership* yang semakin tinggi akan menurunkan biaya agensi manajemen. This was due to blockholder had a high competent to push managerial and taken over the wealth of minority shareholders to maximize the advantage of blockholder ownership (Thomsen, 2005). According to Jiang et al. (2020), the higher blockholder ownership level had the higher earning management rather than company with more equitable shareholder ownership. Sheng, Zhou, & Zhang (2019) had conclusion that share ownersip structure affected environmental regulation and tolerated to corruption. The higher corruption risk was in a state-owned company because blockholder ownership managed by governance as single party rather than privat company which was shareholder ownership spread in public.

H3: Higher blockholder ownership has a positive effect on the risk of corruption on global companies listed in Transparency International.

RESEARCH METODHOLOGY

This study examined the causes and effects of independen variables, they were Corporate Social Responsibility (CSR), Political Connection (POLCON) and Ownership Structure (OWN) to dependen variable, it was corruption risk. Sekunder method was used by collecting company's datas from Transparency International and Blommberg. Purposive sampling was used to determine the sampling of this study. Authors used time series in 2014th and 2016th based on Transparency International Report. Population of this study were 16 countries with a total of 100 companies in the Assessing Emerging Market Multinational category in 2016, and 25 countries with a total of 124 companies in the Assessing the World's largest Companies in 2014.

Dependent variable was corruption risk with corruption risk score at the company as a proxy. Thus, calculation of the value of corruption risk score was ten (10) which mean company free from corruption risk minus the value of the transparency index score in that company. Then, there were three independent variable, such as :

a. Corporate Social Responsibility (CSR)

   ESG was a component consisting of environmental, social, and government factors as representatives of the company's CSR assessment(Krishnamurti et al., 2018a). In this study, the ESG score was the CSR value in each company which obtained directly from bloomberg data.

b. Political Connection (PC)

   In this study, political connection used the background of state-owned companies (BUMN) because company had a natural politicalconnections (Jin, Chen, & Luo, 2019). Political connection was proxied by dummy variables (Adhikari, Derashid, & Zhang, 2006; Faccio, 2006; Sudibyo & Jianfu, 2016). The prox's value was one (1) if company had political connections (state owned's company or BUMN/BUMD) and it was zero (0) if company had no political connections (private company and publicity listed company).

c. Ownership Structure (OS)

   Share ownership structure was the third indepdent variable. The research proxy for the shre ownership structure was the blockholder ownership score, namely the company's shareholders who owenrship of more than equal to (≥) 25% of the company's total share ownership (Benamraoui et al., 2019; Solikhah & Jariyah, 2020)

There were several proxies as a variable control, they were Return on Asssets (ROA), Size of company (SIZE), Leverage, Market to Book Ratio (MTB) (Krishnamurti et al., 2018a). Financial performance was included as a control variable because it was part of opportunity or target for fraud (Wijayanto & Ridwan Zachrie, 2009). That proxies was obtained from Bloomberg data.

The analytical tool used multiple linier regression with Smart PLS 3 programme (Budsaratragoon & Jitmaneeroj, 2020; Owusu, Chan, & Hosseini, 2020). The research subscription showed that the research variables represented the construct index of corporate social responsibility, political connections, ownership structure, and corruption risk. Hypothesis testing used a significant level in 5%. The multiple linear regression's formula was as follows :

$$\mathbf{Y = \alpha - \beta_1 CSR_1 + \beta_2 PC_2 + \beta_3 OS_3 + e \ldots (1)}$$

$$\mathbf{Y = \alpha - \beta_1 CSR_1 + \beta_2 PC_2 + \beta_3 OS_3 + \beta_4\ ROA_4 + \beta_5\ SIZE_5 + \beta_6\ LEV_6 + \beta_7\ MTB_7 + e \ldots (2)}$$

Description:

Y = Corruption Risk Score
α = Constant
CSR = Corporate Social Responsibility
PC = Political Connection
OS = Ownership Structure
β_1 = Coefficient of CSR
β_2 = Coefficient of PC
β_3 = Coefficient of OS
β_4 = Coefficient of ROA
β_5 = Coefficient of SIZE
β_6 = Coefficient of Leverage
β_7 = Coefficient of Market to Book Ratio
ROA = Return on Asset
MTB = Market to Book Ratio
SIZE = Firm Size
LEV = Leverage
e = Residual Value

RESULTS AND DISCUSSION

Based on the list of company sample eliminations, the final results obtained 116 companies. Samples in the 2014th report was 71 companies and the 2016th report was 45 companies. After successfully passing the purposive sampling criteria, the next step is to record the size of each independent variables and the dependent variable. Table 1 shows the minimum value, maximum value and the mean or average value of each variable. In the POLCON variable, the descriptive statistical value is not calculates because the variable is a dummy variable.

Table 1

Descriptive Statistical Analysis Result

Variabel	N	Min	Max	Mean	(1,0)	(0,0)
CSR	116	11,98	80,45	47,465	-	-
POLCON	116	-	-	-	44%	56%
OWN	116	27,89	95,68	66,65	-	-
Transparency Index (TI)	116	2,7	9,7	6,1	-	-
ROA	116	0,040	77,99	14,03	-	-
Leverage	116	0,05	87,22	9,02	-	-
SIZE	116	0,11	98,11	15,53	-	-
Market to Book Ratio	116	0,12	87,33	4,31	-	-

Source : Smart PLS 3 data processing

Multiple linear regression analysis used the Smart PLS 3 programme. It did not need measurement model to test the validity and reliability, so the structural model estimation is carried out immediately. The evaluation of structural model (inner model) was carried out by looking at R-Square value, Q^2 predictive relevance and the significance value of path coefficient. The following is table 2 of the evaluation results of R square and Q^2 (next page).

Table 2

Evaluation results of R Square and Q^2

No.	Variabel	TI	Rule of Thumb	Description
1	R Square	0,261	≤ 0,25 (weak); 0,25 < n ≤ 0,50 (moderate); 0,50 < n ≤ 0,75 (strong)	Moderate
2	Q^2	0,213	$Q^2 > 0$ = has predictive relevance; $Q^2 < 0$ = lack of predictive relevance	The model has predictive relevance

Source : Smart PLS 3 data processing

Based on the output result above, the R Square showed that the Transparency Index (TI) proxy had a value of 0,261 in a moderate model classification. It was concluded that the variation of the CORR RISK proxy could be explained in 24% by independent variables in form of ESG Score, Political Connection and Blockholder Ownership. So, there was 74% explained by other variabless outside this study. While the Q^2 value generated from CORR RISK is 0,213 greater than zero, so it can be concluded that the research model showed good predictive validity.

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The third evaluation of the structural model was the f^2 test that defined the operation of multiple regression. Through this test, researchers found out how the influence of each independent variables on the depedent variable. The following table 3 shows the result of th f^2 test output :

Table 3

f^2 Test Output Result

Variable	***F Square***	***Rule of Thumb***	***Effect Size***
CSR → CORR RISK	0,106	0,02 (Small)	Medium
POLCON → CORR RISK	0,114	0,15 (Medium)	Medium
OWN → CORR RISK	0,05	0,35 (Large)	Small
ROA → CORR RISK	0,017		Small
SIZE → CORR RISK	0,009		Small
LEVERAGE → CORR RISK	0,004		Small
MTB → CORR RISK	0,006		Small

Source : Smart PLS 3 data processing

The significance level of the research hypothesis was carried out by calculating the PLS Algorithm and Bootstrapping. The calculation results from the PLS 3 test can be analyzed in the output path coefficient table shown in table 4 below :

Table 4

Path Coefficients Output Result

Variable	***Original sample***	***Sample mean***	***Sample deviation***	***T Statistics***	***P Values***
CSR -> CORR RISK	-0,314	-0,324	0,080	3,938	**0,000**
POLCON -> CORR RISK	0,309	0,300	0,085	3,623	**0,000**
OWN -> CORR RISK	0,200	0,208	0,085	2,355	**0,019**
ROA -> CORR RISK	0,127	0,121	0,085	1,496	**0,135**
SIZE -> CORR RISK	0,084	0,107	0,113	0,745	**0,456**
LEV -> CORR RISK	-0,067	-0,046	0,101	0,659	**0,510**
MTB -> CORR RISK	0,074	0,062	0,073	1,004	**0,316**

Source : Smart PLS 3 data processing

The original sample data showed the magnitude of the variable coefficients and the direction of influence of each variable (direction of the hypothesis).While the numbers in the T-Statistics and P value columns are the magnitude of significance of the influence of the independent variables on dependent variable from Bootstrapping test result. The value of corruption risk score is obtained from the calculation of the value of ten minus the transparency index (10 – transparency index). This calculation is based on the statement that the risk of corruption is inversely proportional to the transparency index. Higher value of Transparency Index, lower value of corruption risk, and vice versa, lower value of

Transparency Index, higher value of corruption risk. Based o the result of Smart PLS 3 output, a summary of the hypothesis test result is shown in 5 table below :

Table 5

Summary of Hypothesis Test Results

No.	Hypothesis	TI Reg. Coeff	Results	Decision
1.	H1 : Corporate Social Responsibility (CSR) has a negative influence to corruption risk in global companies listed in Transparency International.	- 0,334 (p value : 0,000)	Corruption risk = negative	Accepted
2.	H2 : Political Connection has a positive influence to corruption risk in global companies listed in Transparency International.	+ 0,309 (p value : 0,000)	Corruption risk = positive	Accepted
3.	H3 : Blockholder Ownership has a positive influence to corruption risk in global companies listed in Transparency International	+ 0,200 (p value : 0,19)	Corruption risk = positive	Accepted

Source : Smart PLS 3 data processing

Effect of Corporate Social Responsibility (CSR) on Corruption Risk

The first hypothesis (H1) states that Corporate Social Responsibility had a negative influence on corruption risk in global companies listed on Transparency International. The empirical test result supported the fisrt hypothesis. It showed that higher the CSR score, so lower the corruption risk on global companies listed in Transparency International. This study was consistent with stakeholder theory that company had to pay attention to stakeholders's interest who are influenced and influenced activites and policies from company (Ghozali dan Chariri, 2007). Company had to carry out CSR activities for establishing a good relationship with stakeholders. Same with Riswari, DA & Cahyonowati (2012) argued that stakeholder participated in evaluating company through CSR implementation and reporting for complying to regulation and accountability requirement. Thus based on stakeholder theory that stronger stakeholder control in company so, lower the fraud risk such as corruption.

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Kim, Li, & Li (2014) dan Krishnamurti et al. (2018a) stated that CSR supported company's transparency and reduced corruption risk. In addition, study conducted by Arjaliès & Mundy (2013) dan Zheng & Ren (2019) showed CSR activities had a competitive value in motivation and internal audit process, supported smooth audit process and avoided transactions that are considered greedy, illegal nd detrimental to the company. This study was consistent with these previous studies that higher the company's CSR activities, so smaller the corruption risk. It becaused studies sample was same, namely multinational companies in several countries from Transparency International and had a argument common basis for decision making, so it had same research result evenly.

Subsequesnt research about the effect of CSR on corruption risk needs to further develop in variables and sample. CSR variables are expected to be more detailed based on each components, namely environment, social, and govenrment, so we can see how each component effects corruption risk. The company will more focus on CSR component which has a higher reduce the corruption risk, so the cost can be minimized, more effective and efficient.

Effect of Political Connection on Corruption Risk

The second hypothesis (H2) states that political connections had a positive effect on corruption risk in global companies listed on Transparency International. The empirical test result supported the second hypothesis. This showed that companies which have political connection had a greater corruption risk in global companies listed on Transparency International. The result of this study was consistent with political network theory which concludes that there was a relationship between companies and political networks (Li et al., 2008; Wang & Ma, 2019). Company which had political connection, so the behaviour of managers (agent) and company organization will be strongly influenced in decision making and policy making. Company which was influenced by a corrupt government or political environment would harm the company and involved in corruption risk. Durnev & Kim (2005) stated that company had ability to protect assets when there was a corruption potential in government official to be bribery and liquid assets extortion. In addition Xie & Zhang (2020) concluded that government or politicians who had shares control would influence company decisions. It was supported by Khlif & Amara (2019) that corporate political connections had a relationship with tax evasion and that was stronger in a high corruption level in company.

There was consistency in this study and previous study beacause basically bureaucrats and politicians who took part in company or have company's share influenced company decisions. On the other hand, according to study conducted by Transparency International, (2017) that more than two thirds of countries in the world get scores below fifty. This showed that corruption cases were getting higher and majority of countries were still failed to handle corruption effectively, so it was likely that company with political connections will have a greater corruption risk than company without political connections.

Study results proved that if there was a political connection in company, so corruption risk would be increased. Therefore, company had to investigate political institutions or politicians who joined company organization or owned company's share. Company had to know how they worked and whether they had the potential to commit fraud. Company had to choose political institutions or politicians who were good, democratic, obedients to applicable regulations and had a good control system, so that higher efforts were made by companies that had political connections to minimize corruption risk.

Effect of Blockholder Ownership on Corruption Risk

The third hypothesis (H3) states that blockholder ownership had a positive effect on corruption risk in global companies listed on Transparency International. The empirical test result supported the third hypothesis. This showed that higher percentage of blockholder ownership, so higher corruption risk in several global companies listed on Transparency International. This study was supported by agency theory which stated that agents tent to follow requests and ordered from principal. The company's sustainability was influenced by shareholders as principals who had the power to make decisions and control, also managed company or agents (Haider et al., 2018). This is supported by (Jiang et al., 2020) which showed that a higher level of blockholder ownership tent to encourage earning manipulation and had higher earning management than companies that had more even share ownership structure. In addition, Rubio-Misas (2020) concluded that higher concentrated ownership tent to stabilized company's financial performance and had more fraud risk.

There was consistency result between this study and previous study because they used same samples, namely multinational global companies listed in Transparency International. In addition, share ownership structure used in this study was narrowed down to blockholder ownership above 25% of shares ownership (Benamraoui et al., 2019; Jiang et al., 2020; Rubio-Misas, 2020; Sena, Duygun, Lubrano, Marra, & Shaban, 2018). This study stated that higher blockholder ownership structure had a positive effect on corruption risk, while the company must improved internal control and stronger monitoring, especially blockholder

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ownership, so their power didn't make some fraud, suppress organizational managerial and monopolize the company.

CONCLUSION AND SUGGESTIONS

Conclusion

Based on the analysis into our study findings that have been described in previous discussion, we conclude that :

1. Corporate Social Responsibility (CSR) had a negative effect on corruption risk in global companies listed on Transparency International. This was accordance with the first hhypothesis (H_1 is accepted). The test result indicated that higher CSR activity and CSR score reporting, so smaller the corruption risk in that company. This CSR activity and reporting must be carried out in applicable regulations and maintained company accountability.
2. Political connection had a positive effect on corruption risk in global companies listed on Transparency International. This was accordance with second hypothesis (H_2 is accepted). The test result indicated that if company had a political connection so there was a greater corruption risk.
3. Blockholder ownership had a positive effect on corruption risk in global companies listed on Transparency International. This was accordance with third hypothesis (H_3 is accepted). The test result showed that higher percentage of controlling share ownership, so higher the corruption risk in global companies lited on Transparency International.
4. The four control variables at company level in the form of financial performance include ROA, SIZE, Market to Book Value, and Leverage had no significant effect on corruption risk or small/weak effect. Each magnitude of influence on corruption risk is ROA of 12,7% in positive direction, SIZE of 8,4 in positive direction, Leverage of 6,7% in a negative direction, and market to Book Ratio of 7,4% in positive direction. This is influenced by company size which still varies in all sample companies. In addition, the company's regional from various countries around the world allowed differences in culture, economic conditions, and government regulations. It can be influenced financial performance and corruption risk in each company.

Implications

Theoretically, the study results can be useful for expanding studies related to forensic accounting, especially corruption risk. The practical implications areas a basis for evaluating company policies and decision making for agents, principals and stakeholders regarding corporare social responsiblity (CSR), political connection, and blockholder ownership on corruption risk in global companies.

Limitations and Suggestions

The study sample was still limited to countries which were listed in Transparency International, not all countries in the world. In addition, the observation year used is only two years, namely 2014th and 2016th, so it can not be analyzed for changes in succession per period. Hope through future study expended population by using other literaturs and other proxies as a measure of corruption risk as comparison. Next researcher can complete the sample by adding other countries around the world to make it more valid in generalizing results. Research can be carried out by grouping into categories of developed countries and developing countries in order to identify how each affects corruption risk. The study can expected to use a longer period of study observation (more than two years) in a row so that changes can be analyzed in each period. Next limitation is that the influence of regression coefficient in each independent variable on corruption risk is still in low category. Therefore, it is hoped that further study will need to add other factors that influence corruption risk. They are company level variables such as financial performance and organizational culture. Furthermore, country-level variables such as the level of economic development, state political institutions, civil society system, press freedom, etc.

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