THE EFFECT OF POLITICAL CONNECTION ON CORPORATE TAX AVOIDANCE: THE MODERATING ROLE OF ACCOUNTING INFORMATION QUALITY

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Abstract

This study examines the relationship between the political connection and tax avoidance in all Jordanian market companies, the relationship between accounting information quality and tax avoidance, and the moderating effect of accounting information quality between the political connection and tax avoidance relationship. The sample data of the study includes 206 companies, with a total of 2266 observations from the period from 2008 to 2018. The results indicated that the political connection positively correlates with tax avoidance, which is supported (Jensen & Meckling, 1976). The results of this study also indicated a significant negative association between accounting information quality and tax avoidance. Moreover, the moderating effect of accounting information quality on the political connection and tax avoidance relationship indicated a significant negative association with tax avoidance. Thus, the study supported the agency theory that governance mechanisms such as accounting information quality function led to the reduction of agency problems and reduce information asymmetry. The study finding supported Ward et al.'s (2009) argument and suggested that accounting information quality plays a substitute role rather than a complementary role in mitigating the agency problem. The outcomes of this study could assist the policymaker and companies in the importance of accounting information quality in disciplining political involvement in the Jordanian market.

Keywords: Political Connection, Accounting Information Quality, Tax Avoidance

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1. INTRODUCTION

The topic of tax avoidance is an important issue that has been experienced in various economic environments (Hundal, 2011; Uadiale et al., 2010; Verboon & van Dijke, 2007; Streimikiene et al., 2018; Bataineh, 2021). Tax avoidance comes due to different interests between the taxpayer (companies) and tax collector (government units). The government believes that tax collection will help the countries in economic improvement and reform through the increase of large tax revenue (Bataineh, 2021). On the other hand, the companies want to minimise tax payments and at the same time maximise

the profit after tax income. This conflict of interest is the main reason behind tax avoidance practices. In this regard, Resti et al. (2020) argued that tax avoidance has two side effects of consequences: negative and positive gains. The negative is when the tax authorities capture tax avoidance activities by the firms that lead to more tax and penalties payment, thereby affecting the companies' cash flow from operating activities. On the other hand, the positive side comes when the firms gain some benefits from tax avoidance such as saving cash and using it in other activities such as investing and financing.

Moreover, Desai and Dharmapala (2006) argued that the higher tax avoidance transaction leads to a higher opportunity for political stakeholders to implement opportunistic behaviour, which, in turn, would increase the agency cost (Bradshaw et al., 2019). Therefore, they will try to avoid paying taxes in order to increase their self-benefit. Desai et al. (2007) supported the argument and stated that tax avoidance gives a higher opportunity for politicians to transfer the companies' resources to their own benefit. In this regard, many studies have been conducted to understand the determinants of tax avoidance and the factors that may mitigate tax avoidance (Abdul Wahab et al., 2017; Alkurdi & Mardini, 2020; Bataineh, 2021; Chen & Lin, 2017). Chen and Lin (2017) argued that the information symmetry led to higher tax avoidance and needs to be controlled. Furthermore, Liu et al. (2015) argued that politics are highly related to the companies' decisions, particularly in involving tax avoidance behaviour due to political incentives and self-interest. Moreover, political attempts that are used strategically to achieve the best results when practicing tax enforcement efforts can have a positive impact on firms' tax compliance.

According to a novel argument presented by Zejnullahu (2021), Ward et al. (2009), and Kostyuk (2005), corporate governance mechanisms may serve as complements or substitutes in addressing the agency problem. The substitutes' role means that the governance function in the firms singularly mitigates the agency theory problem created by the political connection. Meanwhile, the complementary role means the governance function will enhance the positive effect or mitigate the negative effect of politics on companies. In this regard, Abdul Wahab et al. (2017) examine the interaction effect of corporate governance mechanisms (board independence, board size, CEO duality, institutional investors, and external auditors) on political connection and tax aggressiveness in the Malaysian context. The results indicated that the political connection promotes higher tax aggressiveness in Malaysian companies. Moreover, the study found that corporate governance cannot mitigate politically motivated tax avoidance. In conclusion, corporate governance plays a substitute role in solving the agency theory in the Malaysian context. Thus, tax avoidance is an important issue that needs to be investigated, particularly in developed and emerging economies. In this regard, Kim and Zhang (2015) stated that the effect of political connections is largely unknown by academic researchers. Also, Susanti et al. (2020) stated that the effect of political connections on tax avoidance is largely unknown as it needs more research to investigate the details. Therefore, the political stakeholders may have an effect on tax avoidance and the companies' resources, thus resulting in a higher effect on the country's economy. In this regard, this study comes to investigate that problem in the Jordanian market. Thus, the first objective of this study is to examine the effect of political connections on tax avoidance in the Jordanian context.

In addition, Jensen and Meckling (1976) stated that the agency problem comes when the political stakeholders know more information than investors, thus creating the information asymmetry problem. The information asymmetry leads to lower efficiency of using the company's resources efficiently. In this regard, Beaver's (1989) theory (as stated in Zhai & Wang, 2016) states that the objective of accounting information quality is to aid the user in making informed decisions with lower information asymmetry. Moreover, one of the assessing methods of accounting information quality is contract validity. Contract validity means that the accounting information helps the user in the contract such as investors and administrative to have more information, thus reflecting the governance function within the company. Thus, accounting information quality could take control over political opportunistic behaviour (Drobetz et al., 2004; Ofoegbu & Odoemelam, 2018). In addition, the quality of accounting information is part of information quality disclosure that helps the user to make better decisions and improve the resource allocation within the firms (Qingyuan & Lumeng, 2018). Moreover, the quality of accounting information leads to reducing the risk and cost of information processing (Xing & Yan, 2018). Besides, better information helps local and foreign investors to support the worldwide economies (Shahzad et al., 2019). In addition, Bushman and Smith (2001) supported the importance of accounting information in reducing the information asymmetry that helps firms to minimise tax avoidance.

In this regard, Desai and Dharmapala (2006) and Annuar et al. (2014) suggested that good governance in companies leads to mitigating tax avoidance activities. Moreover, Abdul Wahab et al. (2017) stated that good governance comes to control the information asymmetry in the political hand and mitigate the agency problem. The study has investigated several governance functions, but accounting information quality as a governance function is not included under any investigation and still, its effect is still vague. This is supported by Chen and Lin (2017), who found a positive correlation between information asymmetry and tax avoidance activities. On the one hand, Bushman and Smith (2001) suggested that the high quality of accounting information is good governance to restrain the management and other politicians from implicating monopoly activities and reduce any information asymmetry. Thus, accounting information quality may play an important role in effecting tax avoidance and political opportunistic activities. In this regard, Qingyuan and Lumeng (2018) argued that the quality of accounting information plays an important role in reducing agency costs in terms of implementing tax avoidance activities. Therefore, the accounting information quality increases the information disclosure and reduces the information asymmetry, in turn, it could be a good governance

mechanism to mitigate tax avoidance within the company. In this study we expected the accounting information quality to play a good governance mechanism to mitigate the agency problem. Thus, this study examines the effect of accounting information quality on tax avoidance. Therefore, the second objective of this study is to examine the effect of accounting information quality on tax avoidance.

On the other hand, Joni et al. (2020) stated that "Political connections are external dimensions of corporate governance mechanisms that influence the behaviour of an organisation" (p. 96). Moreover, Chaney et al. (2011) stated: "political pressure and intervention on behalf of connected companies may substitute for better quality disclosures, and thus mitigate the consequences (i.e., costs) of poor information quality that their non-connected peers face" (p. 59). The result of the Joni et al. (2020) study indicated that the performance of political firms is lower than family firms. In addition, Chaney et al. (2011) argued that the companies may be connected with politics in order to have more funds and protection from negative consequences and punishments of lower quality disclosures. Thus, this leads those companies to give less attention to compliance with market pressure and they will not gain good quality accounting information. The lower accounting information quality will increase the agency's cost and information asymmetry, which negatively affects the firms' outcomes. Thus, this indicates that the political connection effect on tax avoidance may change when the governance function like accounting information quality is implemented, as it needs more investigation. Therefore, the study examines the direct effect and indirect effects of accounting information quality. Thus, this required first to investigate the political connection on tax avoidance. Then, the direct effect of accounting information quality on tax avoidance. Finally, the study will examine the moderating effect of accounting information quality on the political connection and tax avoidance relationship. Thus, third objective of this study is to examine the moderating effect of accounting information quality on political connection and tax avoidance relationship.

In conclusion, Jensen and Meckling (1976) stated that the agency problem comes when the politics know more information than other stakeholders, thus creating the information asymmetry problem. This problem gives the political higher power to use the company information and change the accounting figures to increase their wealth. In this regard, several previous studies conducted highly recommended the accounting information governance function to reduce the information asymmetry created by political monopolistic power. The higher quality of accounting information leads to mitigating information asymmetry problems and control over political stakeholders. Thus, this study has several motivations. First, the study comes to examine the effect of political connections on tax avoidance. Moreover, the study's motivation is to mitigate the agency problem by examining the direct effect of accounting information quality on tax avoidance. Also, the study's motivation is to examine the moderating effect of accounting information quality on the political and tax avoidance relationship. Along this line, the present study fills the gaps between tax avoidance and accounting information quality by meeting the following objectives:

- Investigate the effect of politics on tax avoidance.
- Investigate the effect of accounting information quality on tax avoidance.
- Examine the moderating role of accounting information quality on political and tax avoidance relationships.

For several reasons, it is crucial for this study to analyse the Jordanian market. First, as compared to other regional markets, the Jordanian market has a greater political monopoly and limited resources. Therefore, it requires more research to find factors that enable the government to conserve resources. Additionally, in recent years, the Jordanian public has resisted political behaviour and denounced political practices that result in politicians losing state property. A high rate of tax avoidance additionally characterises the Jordanian market due to the country's financial situation. The numerous changes in tax rates and structures throughout the past few years affect the Jordanian market and may affect the Jordanian market in the long run. Thus, the study made significant contributions to the body of literature. First of all, the study brought attention to a crucial market that most earlier research on tax avoidance had overlooked. The study also looks at the impact of political ties on tax avoidance in a market with constrained resources, where the ramifications will be greater than in other markets. The previous study looked at the direct effect of accounting information quality on tax avoidance. To the researcher's knowledge, this study is the first to analyse the moderating influence of accounting information quality between the political connection and tax avoidance relationship.

This study's results demonstrate that political ties cause the Jordanian market to suffer by encouraging more tax avoidance, thus discovering a strong positive correlation. However, the findings also demonstrate the importance of the accounting information quality function as a sound governance tool for reining in tax avoidance activities. Finally, this study discovered that the quality of accounting information plays a substate role in Jordanian companies and politics have a negative impact on tax avoidance instead of a positive one. According to this finding, the quality of the accounting information is crucial in regulating the political elite's opportunistic behaviour. As a result, the findings were consistent with the agency theory as it indicated that better accounting information helps to ameliorate the agency problem with Jordanian companies by reducing information asymmetry.

Several sections make up the remainder of the paper. The literature review and hypotheses development are covered in the second section. Data collection, empirical models, and variable measurement are then included in Section 3. Section 4 presents a review of the results, followed by a discussion in Section 5. Finally, the conclusion and implications are in Section 6.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

2.1. Tax avoidance in Jordan

The Jordanian tax system, namely income tax and sales tax law, has several obstacles in creating trustworthy statutes and regulations that satisfy Jordanian society's goals (Bataineh, 2021). The Jordanian tax law has been changed many times from 1933 until 2015. For example, the Jordanian protestors convened in 2018 to express their disagreement with a modified version of the problematic tax law introduced in June of that year (Al-Ajlouni & Hartnett, 2019).

As a result, this issue also arises when tax evasion in Jordan is compared to tax revenue. For instance, according to Al Hadidi (2017), tax evasion in Jordan reached JD1.5 billion in 2016, while tax revenues were JD3.828 billion. Additionally, the study indicated that the commitment ratio of income tax decreased over the years from 69% in 2014 to 62% in 2015. Also, the study shows the commitment ratio of sales tax was 87% in 2014 and 93% in 2015, respectively. Due to Jordan's bill payment system, the tax sales payment system has more strict implications. Moreover, increasing the tax sales ratio in the Jordanian market over the years will harm the market activity with current inflation.

As a result, tax avoidance impacts the tax authority's revenue and the Jordanian government's budget. According to Jordan's General Budget Law, tax avoidance resulted in a deficit of over one billion dinars in the Jordanian budget in 2017. Therefore, worse and poorer services are provided to society, which, in turn, increases both internal and external debts (Al Hadidi, 2017). In addition, Malkawi and Haloush (2008) study the causes and solutions of tax evasion in Jordan and give a brief explanation of the tax system. The study provided evidence that the governance function will encourage more dedication and compliance among Jordanian companies. According to the study analysis, the income tax law is crucial in supplying the Treasury with close to 40% of total revenue.

According to the Jordanian Ministry of Finance and Income Tax Department, the law's fundamental principles were initially applied to salaries and wages items in 1933 when it was originally put into effect. Then, a number of amendments made in 1935 and 1936 expanded the implication to include army exemptions. The regulation also applied to other products and industries in 1945, including the earnings from any handcraft, trade, or vocation, following the passage of New Income Tax Law No. 25, which exempted both personal and family income, in 1964.

Additionally, the law established five courts to handle tax disputes in the Jordanian market. Additionally, it was modified slightly in 1951 and 1954 with the addition of assessment-based and exemption. By increasing the items that might be deducted from taxable income, the tax rate was reduced in 1965 to benefit the market, as well as Jordanian families and companies. The following Table 1 details the additional benefit deductions for companies that were added after the changes in the period of 1985. Table 1 shows the notable adjustments to the tax rate for all Jordanian industries included in this study timeframe.

Table 1. Tax rates adjustments from 2008 to 2018

Year	*Service*	*Commercial*	*Industrial*	*Banks*	*Insurance*	*Financial liaison*	*Telecommunication*
2008	25%	25%	15%	35%	25%	35%	25%
2009	25%	25%	15%	35%	25%	35%	25%
2010	14%	14%	14%	30%	24%	24%	24%
2011	14%	14%	14%	30%	24%	24%	24%
2012	14%	14%	14%	30%	24%	24%	24%
2013	14%	14%	14%	30%	24%	24%	24%
2014	14%	14%	14%	30%	24%	24%	24%
2015	20%	20%	14%	35%	24%	24%	24%
2016	20%	20%	14%	35%	24%	24%	24%
2017	20%	20%	14%	35%	24%	24%	24%
2018	20%	20%	14%	35%	24%	24%	24%

2.2. Hypotheses development

Prior studies have highlighted the significance of the issue of tax avoidance (Verboon & van Dijke, 2007; Uadiale et al., 2010; Qingyuan & Lumeng, 2018; Streimikiene et al., 2018; Riedel, 2018; Wang et al., 2019). Tax avoidance impacts government treasury income, consequently, and the societal services offered (Malkawi & Haloush, 2008). Politically linked companies have an additional opportunity to exhibit opportunistic behaviour due to their higher power which makes them engage in more tax avoidance activities (Liu et al., 2015). Moreover, the political ties between the companies' employees could raise agency costs and information asymmetry (Shapiro, 2005). Political insiders are more likely to grow their empire using the company's resources (Fisman, 2001) because they are more informed about it than investors. Therefore, it is anticipated that the connection will positively affect political links in tax avoidance operations.

On the other hand, the prior studies emphasised the significance of accounting information quality as a functional governance role in the companies (Bushman & Smith, 2001; Alsmady 2018b, 2022b). Thus, the accounting information quality lessens the agency issue and the information asymmetry (Desai et al., 2007). Qingyuan and Lumeng (2018), as the consequence, discovered a negative correlation between accounting information disclosure and tax avoidance. As a result, we expected that tax avoidance would be inversely associated with the quality of the accounting information in this study. However, earlier analyses suggested that corporate governance measures might fill a substitute or complementary role (Ward et al., 2009). Studying the function of accounting information quality as a moderating

variable between political ties and tax avoidance would help companies reduce the cost of political agency in this regard. The outcome could indicate a more significant negative connection coefficient with the accounting information quality interaction or a positive relationship coefficient with political change in accounting information quality. This study built the theoretical framework based on the agency theory. The agency theory supports that the good governance function helps the company to control political and lower information asymmetry as well as the bad result effect of tax avoidance activities. The formulation of the study's hypotheses is covered in the following sub-section.

2.2.1. Political connection and tax avoidance

The agency theory scholars argue that selfie interest behavior political will affect negatively the company's resource allocation (Shapiro, 2005). In order to succeed, politicians and bureaucrats alike must maximize their support and their resources (Shapiro, 2005). The politicians may use their influence to carry out more tax avoidance, which could result in a larger empire. But, the previous research has different results in affecting the political connection on tax avoidance. The first stream is the positive effect, which means that politics helps tax avoidance. The study of Butje and Tjondro (2014) found a positive effect of political connections on tax avoidance. Also, Susanti et al. (2020) study the political connection effect on tax avoidance in indention firms. The results of the study support the positive effect of political connections on tax avoidance. Chen et al. (2021) studied the political turnover and tax avoidance in China and found that firms decrease tax avoidance only after new leaders take office. But, the study concluded that politicians and managers have shaped tax planning in a "tow-way favor exchange". According to Chaney et al. (2011), the positive effect of political connection may come due to the self-benefits the political connection gain from the firm's resources, and by making other shareholders out of benefits. In this regard, Abdul Wahab et al. (2017) supported that political connection firms are more in terms of tax aggressiveness due to higher political involvement that leads to outweighing the benefits of corporate governance in mitigating the agency problem in the Malaysian context.

On the other hand, the negative effect of politics on companies and the positive increase of tax avoidance come due to rent-seeking behaviour (Fisman, 2001), in which increasing the agency cost and political connection has become part of poor corporate governance in the firms. In addition, Kim (2008) developed a model and statistically tested and approved that tax avoidance behaviour in companies is influenced by the political attention to control the companies' resources and countries' economies. In addition, tax avoidance comes when politicians help and protect their affiliated companies with less possibility of detection of tax avoidance activities (Resti et al., 2020). Moreover, Resti et al. (2020) argued that the companies try to have a political connection to have more access to lawmakers and less capital market pressure for transparency, which reduces the political cost (Kim & Zhang, 2015).

On the other hand, the negative effect of politics on tax avoidance is due to the political connection supported by the companies and control over the managers' opportunistic behaviour. In this regard, Faccio (2010) supported the argument and stated that the political connection has an advantage to the firms as it can get higher funds and higher leverage that could lead to less tax payment and higher market power positions. Moreover, the political connection set on firms in countries has more serious corruption that controls and monitors the tax avoidance in that firms (Faccio et al., 2006). Moreover, the *resource dependence theory* is a complementary theory to the *agency theory* argument. In this regard, Hillman et al. (2009) argued that resourceful (political connection) appointed is a key powerful position in the firms to reduce the challenges that have been facing in an uncertain environment and it gets more external resources to support the firms in the market. Consequently, the discussion above introduces the following hypothesis:

H1: There is a significant relationship between political connection and tax avoidance.

2.2.2. Accounting information quality and tax avoidance

Accounting information quality helps firms to mitigate agency problems (Jensen & Meckling, 1976) and information asymmetry (Bushman & Smith, 2001). Also, accounting information quality plays a good governance function within the firms, which leads to better resource allocation (Qingyuan & Lumeng, 2018; Alsmady, 2022a, 2022b). Moreover, accounting information quality helps to control managers' opportunistic behaviours by being committed to accounting standards, disclosure (Ofoegbu & Odoemelam, 2018; Al-Dubai et al., 2021), and transparency.

Chen et al. (2020) argue that accounting expertise and the quality of accounting information help companies to lower tax planning activities. In addition, Salehi et al. (2020) supported the argument that accounting information transference leads to lower tax avoidance. Also, Qingyuan and Lumeng (2018) study the impact of comparability of accounting information, as the measurement of accounting information quality, on corporate tax avoidance used by non-financial listed companies from 2005 to 2015 in China. The result supported that the accounting information quality led to a lower degree of corporate tax avoidance. In addition, in the Middle East countries' study, Alsmady (2022b) examines the corporate governance effect on Gulf Cooperation Council (GCC) countries' performance. The study confirms that accounting information quality plays important governance mechanisms function in mitigating the agency theory and improving the company's performance. Moreover, Winarto (2017) examines the effect of the adoption of The International Financial Reporting Standards (IFRS) on the quality of accounting information on tax avoidance in manufacturing companies. The study results confirmed that tax avoidance decreased post-adoption as compared to pre-adoption with 28.35% and 34.95%, respectively. Similar results were also found in other studies (Namazi & Esmaeilpour, 2020; Amidu et al., 2016).

In addition, Gallemore and Labro (2015) investigated the importance of internal information quality of tax avoidance and confirmed that it leads to lowering tax avoidance. Therefore, the study expected a negative association between accounting information quality and tax avoidance. Thus, lower opaque information and higher quality accounting information may negatively affect tax avoidance. As a result, the following hypothesis is brought out by the study:

H2: There is a negative significant relationship between accounting information quality and tax avoidance.

2.2.3. Moderating effect of accounting information quality

The agency theory argued the political use of company resources to increase their wealth, which led to higher agency costs (Jensen & Meckling, 1976). In addition, Desai and Dharmapala (2006) supported that the complex tax avoidance transaction gives an opportunity for political connections to excuse their opportunistic behaviour (Desai et al., 2007) thus leading to higher agency costs when transferring company resources to their benefits. In addition, information asymmetry helps them to engage more in tax avoidance activities (Desai & Dharmapala, 2006). Moreover, tax avoidance activities lead to lower efficiency in using the companies' resources and negatively affect investment opportunities (Alsmady, 2022a).

Chen and Lin (2017) supported that argument and found a positive correlation between information asymmetry and tax avoidance. On the other hand, Joni et al. (2020) argued that the political connection could play an external diminution of governance mechanisms and affect organisational behaviour. In this regard, Chaney et al. (2011) stated that political connection helps companies to have more funds for improving their operating activities; and reducing the challenges that firms have been facing in an uncertain environment (Hillman et al., 2009; Faccio, 2010). Therefore, the political connection may have an effect on other organisation decision and strategies (including tax avoidance) to have more free cash flow. In this regard, the previous study confirms that political connection has positive and negative effects on tax avoidance (Susanti et al., 2020; Butje & Tjondro, 2014; Chaney et al., 2011; Fisman, 2001; Abdul Wahab et al., 2017).

Moreover, another study argued that corporate governance could play a complementary or substitute role in addressing the agency problem and information asymmetry (Ward et al., 2009), as well as mitigating political opportunistic behaviour (Abdul Wahab et al., 2017). In this regard, Bushman and Smith (2001) stated that accounting information is a good governance function that deterrence the opportunistic political connection that has been using the companies' resources. Also, they suggested the high quality of accounting information is good governance to reduce information asymmetry. In this regard, other studies confirm the negative effect of accounting information quality on tax avoidance (Qingyuan & Lumeng, 2018; Winarto, 2017; Namazi & Esmaeilpour, 2020). Also, Alsmady (2022a) supported that accounting information quality changes the relationship between tax avoidance and investment opportunities in GCC countries from negative to positive. Thus, accounting information quality could play a good governance function in mitigating tax avoidance activities. Therefore, the substitutes' function of accounting information quality will singularly reduce tax avoidance, which is supported by Desai et al. (2007) to mitigate tax avoidance activities. Meanwhile, the complementary role means that the accounting information quality will support the political connection to reduce tax avoidance or change the political connection effect from a positive to a negative effect on tax avoidance. Therefore, the accounting information quality could play a moderating role between the political connection and tax avoidance relationship. As a result, the following hypothesis is brought out by the study:

H3: The accounting information quality affects the relationship between the political connection and tax avoidance.

3. RESEARCH METHODOLOGY

3.1. Data collection

The target sample of this study was all listed companies in Amman Stock Exchange. The tax rate was changed dynamically over the last 15 years. The important period of changes is explained previously from 2008 to 2018. Thus, the study covers over 11 years from 2008 to 2018, with the inclusion of tax rate change as well as the satisfied rule of thumb for observation numbers and variables in the regression models. Also, the study covers all sectors in the Jordanian market but the bank industry. The sample includes financial sectors, industrial and services sectors. The data sample is explained in Table 2 below, showing the total sample of 206 companies. The financial sector has 95 companies with 46% of the total sample. The industrial sector has 57 companies with 28% of the total sample, followed by the service industry, which has 54 companies with 26% of its total sample.

Table 2. Study sample

Sector	*No. of companies*	*Percentage*	*Expected obs.*
Financial sector	95	46%	1045
Industrial sector	57	28%	627
Services sector	54	26%	594
Total sample	206	100%	2266

3.2. Empirical models and variables measurement

To validate the study's objectives, the ordinary least squares (OLS) regression was applied in Eq. (1) and Eq. (4) and suggested that other researchers use fixed- and random-effects models as an alternative method. Equation (1) aims to examine the first and second objectives for hypotheses *H1* and *H2*.

The first objective is to examine the effect of political connection on tax avoidance (*H1*). The second objective is to examine the effect of accounting information quality on tax avoidance (*H2*). Therefore, Eq. (1) is as following, where *i* dignifies the company at time of *t*:

$$Taxv_{i,t} = \beta_0 + \beta_1 PoL_{i,t} + \beta_2 AIQ_{i,t} + \beta_3 Log(Ass)_{i,t} + \beta_4 DM2010_{i,t} + \beta_5 DM2015_{i,t} + \beta_6 Log(TanAss)_{i,t} + \\ + \beta_7 Lever_{i,t} + \beta_8 \Delta ROA_{i,t-1} + \varepsilon_{i,t} \quad (1)$$

The dependent variable in the study is tax avoidance ($Taxv_{i,t}$). The previous studies argued that there are no generally accepted definitions for tax avoidance (Hanlon & Heitzman, 2010; Liu & Mao, 2019). According to Aronmwan and Okafor (2019), tax avoidance is any plan by a firm to minimise tax payments, whether through legal or criminal means. Furthermore, according to Boussaidi and Hamed (2015), several studies have used terms that have implied the meaning of tax avoidance, such as tax planning, tax management, tax aggressive, tax evasion, and tax sheltering. Therefore, the study will use the cash effective tax rate (ETR), which has been used in several pieces of research and has a lower limit of numerator and denominator measurement (Aronmwan & Okafor, 2019; Hanlon & Slemrod, 2009; Hanlon & Heitzman, 2010), where $Taxv_{i,t}$ is:

$$Taxv = Cash\ tax\ paid\ in\ year\ i \div The\ company\ current\ operating\ cash\ flow\ t \quad (2)$$

Also, the current study has two independent variables, namely the political connection ($PoL_{i,t}$) and accounting information quality ($AIQ_{i,t}$). The accounting information quality will be used as moderating variable in the coming Eq. (4). The political connection ($PoL_{i,t}$) measured by dummy variables is 1 if the company is politically connected and 0 if otherwise (Resti et al., 2020). This dummy measure is used after investigating the company information in terms of the political connection such as government shareholders (Bradshaw et al., 2019) or the government as one of the board members in the companies' annual report according to Amman Stoch Exchange (Kim & Zhang, 2015), as well as its website or Google if the information not found. Thus, the hand collection methods were used to find any information that indicated those companies with political connections (Resti et al., 2020).

Moreover, accounting information quality is the second minimum independent variable ($AIQ_{i,t}$), which the study used by the following model to measure that originally developed by Dechow and Dichev (2002) and improved by McNichols (2002). The variables' symbols and measurements are explained in Table 3.

$$\Delta WC_{i,t} = y_0 + y_1 * CFO_{i,t-1} + y_2 * CFO_{i,t} + y_3 * CFO_{i,t+1} + y_4 * \Delta Sales_{i,t} + y_5 * PPE_{i,t} + \varepsilon_{i,t} \quad (3)$$

According to De Meyere et al. (2018), all variables are scaled by the average total assets of year *t* to reduce the problem of heteroscedasticity. This model is supported by other researchers (e.g., Xing & Yan, 2018) through the reliable measurement of accounting information quality. Finally, the models (Eq. (1) and Eq. (4)) used several control variables of other researchers to control the unobservable heterogeneity and minimising the error. Table 3 gives a list of all the symbols and measurements included in Eq. (1) and Eq. (4).

Table 3. Variables and measurements

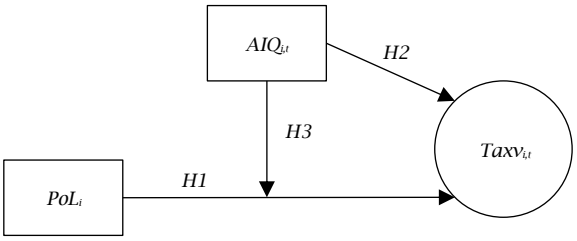
Variable	*Measurement*	*Symbol*
Panel A: Dependent variable		
Tax avoidance	Equation (2)	$Taxv_{i,t}$
	Related studies: Aronmwan and Okafor (2019), Hanlon and Slemrod (2009), Hanlon and Heitzman (2010).	
Panel B: Independent and moderating variable		
Independent: *Political connection*	Dummy variables: 1 if the company is politically connected and 0 if otherwise.	$PoL_{i,t}$
	Related studies: Abdul Wahab et al. (2017), Resti et al. (2020).	
Independent and moderating: *Accounting information quality*	Equation (3), where ΔWC is the change in non-cash working capital from year $t-1$ to year t; $CFO_{i,t}$, $CFO_{i,t-1}$, *and* $CFO_{i,t+1}$ are the cash flow from operations in years t, $t-1$, and $t+1$, respectively; $\Delta Sales_{i,t}$ is the change in net sales in year t compared to year $t-1$; $PPE_{i,t}$ is the gross value of property, plant, and equipment.	$AIQ_{i,t}$
	Related studies: Dechow and Dichev (2002), improved by McNichols (2002).	
Panel C: Control variables		
Total assets	Total natural logarithm of total assets.	$Log(Ass)_{i,t}$
	Related studies: Himmelberg et al. (1999), Al-Smadi et al. (2014), Abughniem et al. (2021).	
Tangible assets	Natural logarithm of total tangible assets.	$Log(TanAss)_{i,t}$
	Related studies: Himmelberg et al. (1999), Al-Smadi et al. (2014), Abughniem et al. (2021).	
Years 2010	Dummy variables = 1 if the year 2010 and 0 otherwise.	$DM2010_{i,t}$
	Related studies: Abdul Wahab et al. (2017), Al-Smadi et al. (2014).	
Years 2015	Dummy variables = 1 if the year 2015 and 0 otherwise.	$DM2015_{i,t}$
	Related studies: Abdul Wahab et al. (2017), Al-Smadi et al. (2014).	
Leverage	Measured by $Debt\_to\_equity\ ratio = Total\ liabilities\ /\ Total\ shareholders'\ equity$	$Lever_{i,t}$
	Related study: Abughniem et al. (2021).	
Return of assets	The change in return of assets from t to $t-1$.	$\Delta ROA_{i,t-1}$
	Related studies: Ioannou and Serafeim (2015), Alazzani et al. (2021).	

Then, the study used another regression — Eq. (4) — to examine the third objective of the study. The third objective is to examine the moderating effect of accounting information quality on political connections and tax avoidance relationships (*H3*). Equation (1) was adjusted by inserting ($PoL_{i,t} * AIQ_{i,t}$) variable to validate the moderating effect and examine *H3* in Eq. (4) as follows, where *i* is the company at the time *t*:

$$Taxv_{i,t} = \beta_0 + \beta_1 PoL_{i,t} + \beta_2 AIQ_{i,t} + \beta_3 (PoL_{i,t} * AIQ_{i,t}) + \beta_4 Log(Ass)_{i,t} + \beta_5 DM2010_{i,t} + \beta_6 DM2015_{i,t} + \\ + \beta_7 Log(TanAss)_{i,t} + \beta_8 Lever_{i,t} + \beta_9 \Delta ROA_{i,t-1} + \varepsilon_{i,t} \quad (4)$$

The following theoretical framework diagram, therefore, summarizes the previous argument:

Figure 1. Theoretical framework



4. RESULTS

4.1. Diagnostics test and descriptive analysis

The regression analysis has several assumptions, which the present study highlighted to obtain an efficient result for Eq. (1) and Eq. (4). The present models (Eq. (1) and Eq. (4)) included the intercept $E(u_t) = 0$ and investigated the error term whether has normally distributed or not $u_t \sim N(0, \sigma^2)$. Moreover, the study tested the heteroskedasticity $var(u_t = \sigma^2 < \infty)$ and auto-correlation problems $cov(u_i, u_j) = 0$ as well as non-stochastic independent variables $cov(u_i, x_t) = 0$. Finally, the assumption of multicollinearity is investigated using the variance inflation factor (VIF) and correlation matrix.

Following De Meyere et al. (2018), the analysis started by winsorised all variables' data at the 1st and 99th percentiles to avoid outliers. Then, the data is used to run the OLS model in a way to investigate the above regression assumption. The study included the intercept and used the Jarque–Bera test for normality. The results confirm that the errors in both models (Eq. (1) and Eq. (4)) were normally distributed at less than a 5% significant level, respectively. Also, the Breusch–Godfrey diagnostics test is implemented to examine the heteroskedasticity assumption and the results of obs. R-squared indicated less than 0.05 in both models (Eq. (1) and Eq. (4)), signifying the observations are not homoscedasticity. Moreover, the output of Durbin–Watson indicated 2.16 and 2.07 for models (Eq. (1) and Eq. (4)), respectively. Thus, the study used estimated generalised least squares (EGLS) cross-section weights in order to have less variability of the data, gain more homoscedasticity, and solve auto-correlation problems. The result shows a less Durbin–Watson as explained in Tables 5 and 6. The following sub-section states the details of the descriptive analysis and correlation matrix.

4.2. Descriptive analysis and correlation matrix

Tables 4 and 5 are the descriptive analysis of the main variables under the study models. Table 4 results indicated the skewness values of the variables range between -1.70 and 1.73, while the kurtosis value ranges between 1.00 and 6.92, which supported the normality distribution of the data variables according to the previous studies (Byrne, 2010; Hair et al., 2010; Al-Smady et al., 2014; Alsmady, 2018a).

The tax avoidance value results show the range between the minimum and maximum values: -5.52 and 5.61. This means that tax avoidance in Jordanian market companies has a high range and some of the companies have a deficit in cash flow on/from operating activity. Similar results were also found in another study in the Jordanian market context (Alkurdi & Mardini, 2020). This may give a higher incentive to the companies for tax avoidance. According to Resti et al. (2020), one of the gains of tax avoidance is providing companies with more cash for them to have more investment activities. The descriptive analysis also indicated that 46.7% of the companies are connected to politics, and that affects companies' decisions particularly in complying with tax payments (Liu et al., 2015). Moreover, the accounting information quality is higher with lower accrual, and this may lead to more discipline of political monopolistic behaviour over the firms (Ofoegbu & Odoemelam, 2018).

Control variables were inserted in the models to control over unobservable heterogeneity. The natural logarithm of total assets and intangible assets have minimum and maximum values of 2.13 and 11.82, 0.99 and 0.22, respectively. Also, the models have dummy variables for 2010 and 2015 to control the tax rate changes. The return on assets change have a minimum and maximum value range between: -4.28 and 4.69, respectively. The similar result is found in this emerging market context (Abdul Wahab et al., 2017), in which some of the companies have low returns which also may give a higher incentive for the companies to avoid the tax. Finally, the company's leverage which is measured by total liabilities to total shareholders' equity that measures the financial risk of the companies could give an effect on the models' estimation. The result shows the range value of minimum and maximum between -61.87 and 81.22. The results are also similar to the other study which has undergone its investigation in Middle East countries (Alsayegh et al., 2020).

Finally, the study does a descriptive analysis of the group of politically related companies with high-quality accounting information. This analysis provides various cues that may later be used to understand the sample's makeup and the study's

findings. For example, the mean value of tax avoidance in the common sample and the political group sample supported at 0.06 and 0.04, respectively. This result proved that Jordanian companies are politically connected while also having high-quality accounting information that demonstrates less tax avoidance. Also, the minimum and maximum values of tax avoidance between the common sample and the political group have a range of values of -5.52 and 5.61, -5.52 and 2.52, respectively. These results also confirm that the maximum value of tax avoidance is lower in terms of politically connected firms and accounting information quality groups than the common sample.

Table 4. Descriptive analysis

Variable	*Common sample*							
	Mean	*Median*	*Maximum*	*Minimum*	*Std. dev.*	*Skewness*	*Kurtosis*	*Observations*
$Taxv_{i,t}$	0.065	0.000	5.610	-5.526	0.348	-1.202	1.581	1962
$PoL_{i,t}$	0.467	0.000	1.000	0.000	0.499	0.097	1.000	1962
$AIQ_{j,t}$	-2.101	-2.701	1.020	-1.510	4.660	-1.703	2.367	1962
$Log(Ass)_{i,t}$	16.874	16.875	2.130	11.828	1.430	0.072	3.700	1962
$Log(TanAss)_{i,t}$	0.370	0.263	0.999	0.229	0.344	0.421	1.649	1962
DM2010	0.096	0.000	1.000	0.000	0.291	1.730	6.481	1962
DM2015	0.101	0.000	1.000	0.000	0.302	1.631	6.923	1962
$Lever_{i,t}$	2.959	0.755	81.221	-61.871	3.000	1.691	4.178	1962
$\Delta ROA_{i,t-1}$	-0.127	1.271	4.698	-4.283	5.878	-1.231	4.890	1962
Variable	$(PoL_{i,t} * AIQ_{j,t})$ ***sample***							
$Taxv_{i,t}$	0.049	0.000	2.529	-5.526	0.387	-1.454	2.578	933
$PoL_{i,t}$	1.000	1.000	1.000	1.000	0.000	NA	NA	933
$AIQ_{j,t}$	-4.960	-4.902	1.520	-1.51	5.490	-1.025	2.147	933
$Log(Ass)_{i,t}$	6.614	6.673	2.086	1.828	1.252	-0.363	3.348	933
$Log(TanAss)_{i,t}$	0.585	0.670	0.999	-0.229	0.307	-0.525	2.052	933
DM2010	0.097	0.000	1.000	0.000	0.296	1.713	8.360	933
DM2015	0.100	0.000	1.000	0.000	0.307	1.652	6.037	933
$Lever_{i,t}$	2.422	0.586	81.130	-61.773	3.276	1.918	6.979	933
$\Delta ROA_{i,t-1}$	-1.476	0.180	4.698	-4.283	1.168	-1.372	2.668	933

Note: $Taxv_{i,t}$ is the dependent variable, equals to (Cash tax paid in the year i ÷ The company current operating cash flow t). $PoL_{i,t}$ is a dummy variable of 1 if the company politically connected and 0 otherwise; $AIQ_{j,t}$ is the accounting information quality measured by the proxy that follows in Eq. (3). $(PoL_{i,t} * AIQ_{j,t})$ is an interaction variable between the political connection and accounting information quality. $Log(Ass)_{i,t}$ the company size, equals to total natural logarithm of total assets. Also, $Log(TanAss)_{i,t}$ equals to natural logarithm of total tangible assets. $DM2010_{i,t}$ is a dummy variable of 1 if the year 2010 and 0 otherwise. $DM2015_{i,t}$ is a dummy variable of 1 if the year 2015 and 0 otherwise. $Lever_{i,t}$ measured by debt-to-equity ratio equals to (Total liabilities ÷ Total shareholders' equity). $\Delta ROA_{i,t-1}$ is the change in return of assets from t to t – 1.

Table 5. Correlation matrix

Variables	$Taxv_{i,t}$	$PoL_{i,t}$	$AIQ_{j,t}$	$Log(Ass)_{i,t}$	$Log(TanAss)_{i,t}$	*DM2010*	*DM2015*	$Lever_{i,t}$	$\Delta ROA_{i,t-1}$
$Taxv_{i,t}$	1.000								
$PoL_{i,t}$	0.041	1.000							
$AIQ_{j,t}$	-0.015	0.020	1.000						
$Log(Ass)_{i,t}$	0.084	-0.186	-0.046	1.000					
$Log(TanAss)_{i,t}$	-0.060	0.593	-0.020	-0.084	1.000				
DM2010	0.023	0.003	0.015	-0.020	-0.028	1.000			
DM2015	-0.039	-0.003	0.002	0.000	0.002	-0.110	1.000		
$Lever_{i,t}$	0.000	-0.015	-0.028	0.033	-0.014	-0.018	0.045	1.000	
$\Delta ROA_{i,t-1}$	0.062	-0.080	0.033	0.089	-0.036	-0.020	0.002	-0.078	1.000

Note: $Taxv_{i,t}$ is the dependent variable, equals to (Cash tax paid in the year i ÷ The company current operating cash flow t). $PoL_{i,t}$ is a dummy variable of 1 if the company is politically connected and 0 otherwise; $AIQ_{j,t}$ is the accounting information quality measured by the proxy that follows in Eq. (3). $(PoL_{i,t} * AIQ_{j,t})$ is an interaction variable between the political connection and accounting information quality. $Log(Ass)_{i,t}$ the company size, equals the total natural logarithm of total assets. Also, $Log(TanAss)_{i,t}$ equals to natural logarithm of total tangible assets. $DM2010_{i,t}$ is a dummy variable of 1 if the year 2010 and 0 otherwise. $DM2015_{i,t}$ is a dummy variable of 1 if the year 2015 and 0 otherwise. $Lever_{i,t}$ measured by debt-to-equity ratio equals to (Total liabilities ÷ Total shareholders' equity). $\Delta ROA_{i,t-1}$ is the change in return of assets from t to t – 1.

Table 6 is the correlation matrix that stipulates the strength of the models under the study of the relationship between the dependent and independent variables. The results indicated that the relationship among all independent variables is less than 0.9, which is less than the critical value of multicollinearity in all models (Asteriou & Hall, 2007). Also, the result indicated the political connection has a positive relationship with tax avoidance. This means that politics increases tax avoidance in Jordanian companies. Meanwhile, accounting information quality has a negative relationship with tax avoidance. This result supported the agency argument and other research in which accounting information quality plays its role as a good governance mechanism that controls monopolistic behaviour (Qingyuan & Lumeng, 2018).

4.3. The direct effect of accounting information quality and political connection

Table 6 provides the regression analsysis of the Eq. (1), which investigates the direct relationship between the accounting information quality and political connection on tax avoidance. Equation (1) is conducted to test hypotheses *H1* and *H2*. The *H1* investigates the relationship between political connection and tax avoidance. The *H2* investigates the relationship between accounting information quality and tax avoidance. The model has a good fit with $R^2 = 35.7\%$, which is similar to the study conducted by Chaney et al. (2011). Moeover, the F-statistic indicated high significant of the model, which explains the explanatory variable

of the outcomes of tax avoidance at 1% level. Finally, the results of variance inflation factor (VIF) of multicollinearity assumption indicated no multicollinearity problem among the variables in the model.

The result of testing hypothesis *H1* of the relationship between political connection ($PoL_{i,t}$) and tax avoidance ($Taxv_{i,t}$) shows a high positive significant coefficient at a level less than 1% (0.033, $p \leq 0.01$). This result supported the previous studies and agency theory argument that monopolistic politics take advantage of the power to increase their welfare against the company's interests (Fisman, 2001). Moreover, the result supported that politics promotes a higher tax avoidance within the company. According to Liu et al. (2015), a politically connected company has a greater ability to engage in more tax avoidance activities and conceal sophisticated actions with accruals. A similar finding was found in other studies in an emerging economy, such as Chaney et al. (2011) and Abdul Wahab et al. (2017). These findings suggested that establishing power and influence is bad for Jordanian companies as it will give a greater impact in the future.

In addition, the study tested hypothesis *H2* of the relationship between accounting information quality ($AIQ_{j,t}$) and tax avoidance ($Taxv_{i,t}$), and the result shows a high negative significant coefficient at a level less than 5% (4.132, $p \leq 0.05$). The results also supported the agency theory that higher quality of accounting information quality plays a good governance function in the company, thereby mitigating the information asymmetry (Jensen & Meckling, 1976). According to Qingyuan and Lumeng (2018), the accounting information quality helps the user to make better decisions that could lead to an efficient company resource allocation. The result supported the argument that the function of accounting information quality contributes to lower tax avoidance (Bushman & Smith, 2001). In addition, the accounting information quality could help companies to control political opportunistic behaviour (Drobetz et al., 2004; Ofoegbu & Odoemelam, 2018) and increase informative value for information users with lower information asymmetry (Jensen & Meckling, 1976). Thus, the following sub-section for testing hypothesis *H3* investigates the interaction between the accounting information quality and political connection effect on tax avoidance.

Finally, the control variables under Eq. (1) and Eq. (2) in the following regression give similar results. The firm size $Log(Ass)_{i,t}$ of the natural logarithm of total assets indicated a significant negative association coefficient with tax avoidance ($Taxv_{i,t}$) at a level less than 1% (0.014, $p = 0.00$) and (0.014, $p = 0.00$), respectively. Also, $Log(TanAss)_{i,t}$ of the natural logarithm of total tangible assets indicated a significant negative association coefficient with tax avoidance ($Taxv_{i,t}$) at a level less than 1% (0.050, $p = 0.00$) and (0.014, $p \leq 0.00$), respectively. These results mean that the company size reduces tax avoidance due to more stability of the company in the market as it has a strong position with higher resources to generate cash flow. Moreover, the big-size firms have more complex transactions and that will increase the penalty of tax avoidance (Majeed & Yan, 2019). In addition, the $\Delta ROAi_{,t-1}$ as the change in return of assets from *t* to *t – 1* indicated a significant positive association coefficient with tax avoidance ($Taxv_{i,t}$) at a level less than 1% (0.000, $p = 0.00$) and (0.014, $p = 0.00$), respectively. This means, when the companies generate a higher change in return of assets, the companies would imply a higher value of tax avoidance. Finally, the results of the rest of the control variables do not show any significant level of tax avoidance.

Table 6. Direct effect model

Dependent variable: Taxv (Eq. (1))				
Variable	***Coefficient of sig.***	***Std. error***	***T-statistic***	***VIF***
$PoL_{i,t}$	0.033***	0.003	-10.546	1.914
$AIQ_{j,t}$	-4.132**	1.870	(-2.215)	1.002
$Log(Ass)_{i,t}$	-0.014***	0.000	(-17.363)	1.235
DM2010	-0.005	0.004	(-1.281)	1.865
DM2015	-0.001	0.004	(-0.434)	1.018
$Log(TanAss)_{i,t}$	-0.050***	0.004	(-12.401)	1.020
$Lever_{i,t}$	-2.030	5.580	(-0.364)	1.008
$\Delta ROAi_{,t-1}$	0.000***	9.780	-6.549	1.116
C	-0.176***	0.014	(-12.123)	
Obs.	1936	1936	1936	1936
Adj. R^2	0.357	0.357	0.357	
F-statistic	35.755	35.755	35.755	
Durbin–Watson	1.076	1.076	1.076	

*Note: $Taxv_{i,t}$ is the dependent variable, equals to (Cash tax paid in the year i ÷ The company current operating cash flow t). $PoL_{i,t}$ is a dummy variable of 1 if the company is politically connected and 0 otherwise; $AIQ_{j,t}$ is the accounting information quality measured by the proxy that follows in Eq. (3). ($PoL_{i,t}$ * $AIQ_{j,t}$) is an interaction variable between the political connection and accounting information quality. $Log(Ass)_{i,t}$ the company size, equals the total natural logarithm of total assets. Also, $Log(TanAss)_{i,t}$ equals to natural logarithm of total tangible assets. $DM2010_{i,t}$ is a dummy variable of 1 if the year 2010 and 0 otherwise. $DM2015_{i,t}$ is a dummy variable of 1 if the year 2015 and 0 otherwise. $Lever_{i,t}$ measured by debt-to-equity ratio equals to (Total liabilities ÷ Total shareholders' equity). $\Delta ROA_{i,t-1}$ is the change in return of assets from t to t – 1.* *, **, and *** are significant at the 10%, 5%, and 1% levels, respectively.

4.4. The moderating effect of accounting information quality

Table 7 provides the regression analysis of Eq. (4). Equation (4) comes to test hypothesis *H3*. The *H3* investigates the moderating effect of accounting information quality on political connections and tax avoidance relationships. The model has a good fit with $R^2 = 33.7\%$, which is similar to the study conducted by Chaney et al. (2011). Moreover, the F-statistic indicated a high significance of the model, which means the explanatory variable explained the outcomes of tax avoidance at a 1% level. Finally, the results of the VIF of the multicollinearity

assumption indicated no multicollinearity problem among the variables in the model.

The result of Eq. (4) confirms the earlier result, in which political connection ($PoL_{i,t}$) has a significant positive coefficient, at a level less than 1% (0.034, $p \leq 0.01$), on tax avoidance ($Taxv_{i,t}$). Similarly, the accounting information quality ($AIQ_{i,t}$) has a negative significant coefficient, at a level less than 5% (4.132, $p \leq 0.05$), on tax avoidance ($Taxv_{i,t}$). In addition, the result of *H3*, the moderating effect of accounting information quality on the political connection ($PoL_{i,t} * AIQ_{i,t}$) and tax avoidance ($Taxv_{i,t}$) indicated a negative significant coefficient, at a level less than 1% (3.120, $p \leq 0.01$). This finding confirmed the agency theory, which states that the quality of accounting information promotes a good governance function by reducing information asymmetry (Jensen & Meckling, 1976). Additionally, higher accounting information quality results in greater control over political opportunism (Drobetz et al., 2004; Ofoegbu & Odoemelam, 2018), which results in better resource allocation. The result is similar to the study (Bushman & Smith, 2001), in which the argument on accounting information quality helps in minimising tax avoidance within the firms.

In addition, the outcome supported the substitute function of minimising tax avoidance rather than supporting the complementary role of accounting information quality. For instance, some of the prior research claimed that having political connections is advantageous to business (Chaney et al., 2011; Faccio et al., 2006; Hillman et al., 2009). As a result, the governance function supports and complements that claim. However, a different study contended that political connections harm a company (Butje & Tjondro, 2014; Chaney et al., 2011; Abdul Wahab et al., 2017; Susanti et al., 2020; Fisman, 2001) and that governance mechanisms such as the quality of the accounting information play a significant role in mitigating the adverse influence. The adverse influence will affect the market economy and the resource allocation inside companies by the political connection due to the promoted and expanding tax avoidance, which confirms by this study's result.

However, the result of this study on the accounting information quality alone indicates that it has a significant impact on lowering tax avoidance. As a result, the interaction effect of accounting information quality between political connection and tax avoidance causes the result to change from positive to negative, indicating that the accounting information quality substitutes for other considerations in mitigating tax avoidance practices in the Jordanian market.

Table 7. Moderating effect model

Dependent variable: Taxv (Eq. (4))				
Variable	***Coefficient of sig.***	***Std. error***	***T-statistic***	***VIF***
$PoL_{i,t}$	0.034***	0.003	-10.890	1.915
$AIQ_{i,t}$	-1.220***	2.710	(-4.517)	1.142
$(PoL_{i,t} * AIQ_{i,t})$	-3.120***	4.210	(-7.415)	1.144
$Log(Ass)_{i,t}$	-0.014***	0.000	(-15.170)	1.236
DM2010	-0.004	0.003	(-1.205)	1.865
DM2015	-0.002	0.003	(-0.593)	1.019
$Log(TanAss)_{i,t}$	-0.052***	0.004	(-12.998)	1.020
$Lever_{i,t}$	-3.030	5.610	(-0.539)	1.008
$\Delta ROA_{i,t-1}$	0.000***	9.850	-6.953	1.117
C	-0.162***	0.013	(-10.495)	
Obs.	1936	1936	1936	1936
Adj. R^2	0.337	0.337	0.337	
F-statistic	30.422***	30.422***	30.422	
Durbin–Watson	1.082	1.082	1.082	

Note: $Taxv_{i,t}$ is the dependent variable, equals to (Cash tax paid in the year i ÷ The company current operating cash flow t). $PoL_{i,t}$ is a dummy variable of 1 if the company is politically connected and 0 otherwise; $AIQ_{i,t}$ is the accounting information quality measured by the proxy that follows in Eq. (3). $(PoL_{i,t} * AIQ_{i,t})$ is an interaction variable between the political connection and accounting information quality. $Log(Ass)_{i,t}$ the company size, equals the total natural logarithm of total assets. Also, $Log(TanAss)_{i,t}$ equals to natural logarithm of total tangible assets. $DM2010_{i,t}$ is a dummy variable of 1 if the year 2010 and 0 otherwise. $DM2015_{i,t}$ is a dummy variable of 1 if the year 2015 and 0 otherwise. $Lever_{i,t}$ measured by debt-to-equity ratio equals to (Total liabilities ÷ Total shareholders equity). $\Delta ROA_{i,t-1}$ is the change in return of assets from t to t – 1. *, **, and *** are significant at the 10%, 5%, and 1% levels, respectively.

5. DISCUSSION

This study comes to contribute the current literature in different aspects. Firstly, the study contributed to a developing country, Jordan, that has been neglected in accounting information quality and tax avoidance studies. Secondly, this study has different motivations and objectives that fill the gaps in research on tax avoidance and accounting information quality. The first objective is to examine the effect of political connections on tax avoidance in the Jordanian context, which is addressed in *H1*. The second objective of this study is to examine the effect of accounting information quality on tax avoidance, which is addressed in *H2*. Also, the third objective of this study is to examine the moderating effect of accounting information quality on political connection and tax avoidance relationship, which is addressed in *H3*. The study used the agency theory to develop the theoretical framework under study. The Jordanian market companies used to examine the hypotheses from 2008 to 2018 before COVID-19 started. The study used regression analysis to investigate *H1* and *H2*. Then, the moderating regression analysis was used to examine the *H3*.

The study results in Table 6 indicated the result for Eq. (1). The results confirmed a positive significant coefficient of less than 1% between the political connection and tax avoidance in the Jordanian market. The results supported the agency theory argument that politicians use the power to increase their wealth and carry out more tax avoidance activities (Shapiro, 2005). The study results are similar to other findings (Chaney et al., 2011; Abdul Wahab et al., 2017). Therefore, the Jordanian market will be influenced

by monopolistic political power in the companies and use its resources through tax avoidance activities to increase their empire. In addition, the result in Table 6 confirms the significant negative coefficient at a level of less than 5% between the accounting information quality and tax avoidance. This result means the higher quality of accounting information leads to lower tax avoidance activities. Thus, the results supported the agency theory argument and confirmed that accounting information quality plays a good governance function with the companies (Jensen & Meckling, 1976). Therefore, the accounting information quality disciplines the politicians and mitigates the information asymmetry within the Jordanian market. Similar results were found in other studies, such as Qingyuan and Lumeng (2018) and Odoemelam (2018).

In Eq. (4), the *H3* was tested. The results in Table 7 confirm the similar *H1* and *H2*, which confirms the robustness and consistent results among the study model outcomes. Moreover, Eq. (4) investigated the moderating role of accounting information quality on the political connection and tax avoidance relationship (*H3*). The results indicated that accounting information quality plays a moderating significance at a level of less than 1% with a negative coefficient. Thus, the results confirm the agency theory argument of good governance mechanisms lead to mitigating the agency problem (Jensen & Meckling, 1976). In addition, the results supported the good practices of information quality in the Jordanian market. The higher quality of accounting information helps the companies change the positive effect of politics on tax avoidance to a negative effect. Thereby substituting the function of accounting information quality rather than a complementary role (Abdul Wahab et al., 2017). Thus, the study highly recommended increasing the quality of accounting information to control political behaviour and helps the Jordanian market to improve. Similar results were found in other studies, such as Ward et al. (2009).

6. CONCLUSION

This study examines the impact of political ties on tax avoidance for Jordanian companies from 2008 to 2018. The study also investigates the impact of good accounting information quality on tax avoidance. The study also looked into the moderating effect of the quality of accounting information on the relationship between political connections and tax avoidance. The study's data sample contains observations from 1936 for all Jordanian markets, but the banking sector, as it is subject to different disclosure and has different information available.

The findings of the study support the negative impact of political ties on Jordanian companies. The study's results confirm a positive association between politics and tax avoidance. The findings suggested that the political encouragement of greater tax avoidance will ultimately have a negative impact on the success of the companies and all Jordanian markets. Additionally, the study discovered that companies are discouraged from engaging in tax avoidance practices for the accuracy of accounting information. The study confirms the negative association between accounting information quality and tax avoidance. As a result, Jordanian market companies with accounting information quality have solid governance procedures, which helps them to reduce their agency problem and information asymmetry.

On the other hand, the study examines the complementary and substitute roles of accounting information quality in mitigating the agency problem. The study confirms accounting information quality's moderating effect in solving the agency problem in Jordanian comes. Also, the result of the interaction effect of accounting information quality between the political connection and tax avoidance changes the results from the positive direct effect to a negative higher association. Hence, the higher quality of accounting information controls opportunistic political behaviour and disciplines in using the company's resources.

This study aids in creating an understanding of the significance of accounting information quality for Jordanian companies and other nations by different parties, such as regulators, investors, and policymakers. The findings of this study can be used as a foundation to improve the company's governance mechanisms and function disclosure while reducing political interference in the Jordanian market. As a result, the company's resources are used more effectively, enhancing market competitiveness and companies' commitment to tax regulations.

There are various restrictions to this study. The first limitation relates to the study's coverage of the years up until 2018. This study requires a longer data-gathering period in order to enhance the findings. Another study might evaluate how different governance mechanisms affect tax avoidance. This study looked at how the quality of accounting information affects tax avoidance, and it employed a dummy for the political connection measurement, which is different from other studies that have looked at variables like the number of politicians on the board of directors or the ownership percentage that is owned by the party. Future research might therefore examine the impact of the political relationship on more countries in the region using a different proxy for measuring it.

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