ACCOUNTING INFORMATION QUALITY, TAX AVOIDANCE AND COMPANIES' PERFORMANCE: THE MODERATE ROLE OF POLITICAL CONNECTION

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ABSTRACT

Purpose: This study examines the relationship between the accounting information quality, tax avoidance, and political connection in all Jordanian companies listed on Amman Stock Exchange. The current study also investigates the moderating effect of political connections on accounting information quality and company performance relationships. Further, the study examines the moderating effect of political connection on tax avoidance and company performance relationship.

Theoretical framework: Political connections, tax avoidance, and the quality of accounting information affect a company's performance. According to the agency theory, reliable accounting information improves business performance and resources' allocation efficiency by reducing information asymmetry. Additionally, the adverse effects of politics on companies are mitigated by accounting information quality. As a result, the cash flow is allocated effectively, improving the business's overall performance.

Design/methodology/approach: The study uses the ordinary least squares (OLS) and applied moderated multiple regression (MMR). The sample data of this study includes 2266 company-years observations over the period 2008-2018 for all Jordanian companies listed on Amman Stock Exchange. The study compares accounting and market-based measurements of companies' performance (ROE, Tobin's Q).

Findings: The study reveals consistent results among the measure. The results support the agency theory and found that accounting information quality reduces information asymmetry and positively affects companies' performance. Also, tax avoidance helps the companies to have more cash, and the results indicate a significant positive effect on companies' performance. In addition, the results support the agency theory argument and found that politics increase agency costs and negatively affect companies' performance. However, further analysis found that political connections sustain the positive effect of accounting information quality, which is a robust governance mechanism in Jordanian listed companies. Finally, the results found that tax avoidance with more political connections harms companies' performance.

Research, Practical & Social implications: This study helps policymakers increase the governance mechanisms function in Jordanian listed companies. Also, the higher political relationship with the companies could be affected negatively on the Jordanian companies' achievement.

Originality/value: The findings suggest several consequences for the fields of accounting and corporate governance. Additionally, the Middle East nations, including the Jordanian market, have had numerous economic difficulties that this study aids in resolving. For example, antagonistic political ties, information asymmetry, and insufficient allocation of financial resources.

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QUALIDADE DAS INFORMAÇÕES CONTÁBEIS, EVASÃO FISCAL E DESEMPENHO DAS EMPRESAS: O PAPEL MODERADO DA CONEXÃO POLÍTICA

RESUMO

Objetivo: Este estudo examina a relação entre a qualidade das informações contábeis, a evasão fiscal e a conexão política em todas as empresas jordanianas listadas na Bolsa de Valores de Amman. O estudo atual também investiga o efeito moderador das conexões políticas na qualidade das informações contábeis e nas relações de desempenho da empresa. Além disso, o estudo examina o efeito moderador da conexão política sobre a evasão fiscal e a relação de desempenho da empresa.

Estrutura teórica: As conexões políticas, a evasão fiscal e a qualidade das informações contábeis afetam o desempenho de uma empresa. De acordo com a teoria da agência, informações contábeis confiáveis melhoram o desempenho empresarial e a eficiência da alocação de recursos, reduzindo a assimetria de informação. Além disso, os efeitos adversos da política nas empresas são atenuados pela qualidade das informações contábeis. Como resultado, o fluxo de caixa é alocado de forma eficaz, melhorando o desempenho geral da empresa.

Design/metodologia/abordagem: O estudo utiliza os mínimos quadrados comuns (OLS) e aplicada regressão múltipla moderada (MMR). Os dados da amostra deste estudo incluem 2266 observações da empresa durante o período 2008-2018 para todas as empresas jordanianas listadas na Bolsa de Valores de Amman. O estudo compara as medições contábeis e baseadas no mercado do desempenho das empresas (ROE, Tobin's Q).

Constatações: O estudo revela resultados consistentes entre as medidas. Os resultados apóiam a teoria da agência e constataram que a qualidade da informação contábil reduz a assimetria da informação e afeta positivamente o desempenho das empresas. Além disso, a evasão fiscal ajuda as empresas a ter mais dinheiro, e os resultados indicam um efeito positivo significativo sobre o desempenho das empresas. Além disso, os resultados apóiam o argumento da teoria da agência e constataram que a política aumenta os custos da agência e afeta negativamente o desempenho das empresas. Entretanto, uma análise mais aprofundada concluiu que as conexões políticas sustentam o efeito positivo da qualidade das informações contábeis, que é um mecanismo de governança robusto nas empresas de capital aberto da Jordânia. Finalmente, os resultados constataram que a evasão fiscal com conexões mais políticas prejudica o desempenho das empresas.

Pesquisa, implicações práticas e sociais: Este estudo ajuda os formuladores de políticas a aumentar o funcionamento dos mecanismos de governança nas empresas de capital aberto jordanianas. Além disso, o maior relacionamento político com as empresas poderia ser afetado negativamente no desempenho das empresas jordanianas.

Originalidade/valor: Os resultados sugerem várias conseqüências para os campos da contabilidade e da governança corporativa. Além disso, as nações do Oriente Médio, incluindo o mercado jordaniano, têm tido numerosas dificuldades econômicas que este estudo ajuda a resolver. Por exemplo, laços políticos antagônicos, assimetria de informação e alocação insuficiente de recursos financeiros.

Palavras-chave: Qualidade da Informação Contábil, Evasão de Impostos, Conexão Política, Desempenho das Empresas.

CALIDAD DE LA INFORMACIÓN CONTABLE, ELUSIÓN FISCAL Y RESULTADOS DE LAS EMPRESAS: EL PAPEL MODERADO DE LA CONEXIÓN POLÍTICA

RESUMEN

Objetivo: Este estudio examina la relación entre la calidad de la información contable, la elusión fiscal y las conexiones políticas en todas las empresas jordanas que cotizan en la Bolsa de Ammán. El presente estudio también investiga el efecto moderador de las conexiones políticas en las relaciones entre la calidad de la información contable y los resultados de la empresa. Además, el estudio examina el efecto moderador de la conexión política en la relación entre la elusión fiscal y el rendimiento de la empresa.

Marco teórico: Las conexiones políticas, la elusión fiscal y la calidad de la información contable afectan al rendimiento de la empresa. Según la teoría de la agencia, una información contable fiable mejora el rendimiento empresarial y la eficiencia en la asignación de recursos al reducir la asimetría informativa. Además, los efectos adversos de la política en las empresas se ven mitigados por la calidad de la información contable. Como resultado, el flujo de caja se asigna eficazmente, mejorando el rendimiento global de la empresa.

Diseño/metodología/enfoque: El estudio utiliza los mínimos cuadrados ordinarios (MCO) y aplica la regresión múltiple moderada (RMM). Los datos de la muestra de este estudio incluyen 2266 observaciones de años-empresa durante el periodo 2008-2018 para todas las empresas jordanas que cotizan en la Bolsa de Ammán. El estudio compara las mediciones contables y de mercado del rendimiento de las empresas (ROE, Q de Tobin).

Resultados: El estudio revela resultados coherentes entre las medidas. Los resultados apoyan la teoría de la agencia y concluyen que la calidad de la información contable reduce la asimetría informativa y afecta

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positivamente al rendimiento de las empresas. Asimismo, la elusión fiscal ayuda a las empresas a disponer de más efectivo, y los resultados indican un efecto positivo significativo en el rendimiento de las empresas. Además, los resultados apoyan el argumento de la teoría de la agencia y concluyen que la política aumenta los costes de agencia y afecta negativamente a los resultados de las empresas. Sin embargo, un análisis más detallado descubrió que las conexiones políticas sostienen el efecto positivo de la calidad de la información contable, que es un sólido mecanismo de gobernanza en las empresas jordanas que cotizan en bolsa. Por último, los resultados concluyeron que la elusión fiscal con más conexiones políticas perjudica el rendimiento de las empresas**.**
Investigación, implicaciones prácticas y sociales: Este estudio ayuda a los responsables políticos a aumentar la función de los mecanismos de gobernanza en las empresas jordanas que cotizan en bolsa. Asimismo, la mayor relación política con las empresas podría afectar negativamente a los logros de las empresas jordanas.
Originalidad/valor: Las conclusiones sugieren varias consecuencias para los campos de la contabilidad y la gobernanza empresarial. Además, las naciones de Oriente Medio, incluido el mercado jordano, han tenido numerosas dificultades económicas que este estudio ayuda a resolver. Por ejemplo, los vínculos políticos antagónicos, la asimetría de la información y la asignación insuficiente de recursos financieros.

Palabras clave: Calidad de la Información Contable, Elusión Fiscal, Vínculos Políticos, Resultados de las Empresas.

INTRODUCTION

The company's performance has been debated by many researchers in business fields. According to Dempster and Oliver (2019), this concern comes due to the fact that a company's performance is an important indicator to different parties of decision makers such as the board of directors, market investors, lenders, and several others. In this regard, Richard et al. (2009) stated that companies' performance has several construct definitions from different perspectives such as companies' reputation, survival, and the effectiveness of operational system (Barney, 2002), and one of the most popular definitions is financial performance in accounting and management fields. Previous studies have investigated different factors that affect companies' financial performance in developed and developing countries.

Developed countries studies recently are concerned with examining the corporate social responsibility and companies' financial performance (Manrique & Martí-Ballester, 2017; Kabir & Thai, 2017; Shirasu & Kawakita, 2021; Alsayegh et al., 2020); corporate governance factors (Kyere & Ausloos, 2020) such as strategy and environment (Grinyer et al., 1980); outside directors (Adams & Jiang, 2016); board diversity (Vafaei et al., 2015); capital structure (Vuong et al., 2017), and other studies.

On the other hand, developing countries studies have covered several factors that affect companies' performance such as corporate social responsibility (Chen & Wang, 2011; Rana, 2018; Ahmad et al., 2014); business condition (Chen, 2007); knowledge transfer, regulatory support, legitimacy (Liao & Yu, 2012); capital structure (Mujahid & Akhtar, 2014; Gambo et al., 2016), corporate governance factors (Wahyudin & Solikhah, 2017) such as gender diversity

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board (Molla et al., 2019); board attributes (Akram Naseem et al., 2017), the impact of political connection, and risk committee (Aldhamari et al., 2020).

Moreover, comparative and mixed studies samples of both developed and developing countries include corporate social responsibility (Manrique & Martí-Ballester, 2017; Ali et al., 2017), corporate governance factors, and companies' performance (Paniagua et al., 2018; Al-ahdal et al., 2020; Kabir & Thai, 2017; Ali, 2018), as well as intellectual capital reporting (Abeysekera, 2007).

In the Middle East countries, many studies covered corporate governance factors and companies' performance (Yılmaz, 2018; Shahwan, 2015) such as board gender diversity and board compensation (Almarayeh, 2021); ownership structure (Elfeituri, 2018); strategic planning (Aldehayyat & Twaissi, 2011); tone disclosure (Aly et al., 2018); board of directors and audit committee characteristics (Al-Matar et al., 2014; Amer, 2016).

In a market such as Jordan which is unique in terms of low economic development and a royal family control, the corporate governance factors and companies' performance have been investigated in several pieces of research such as (Saidat et al., 2019; Mansur, 2018; Tawfeeq Yousif Alabdullah et al., 2014; Al-Najjar, 2010; Marashdeh, 2014; Alsmady, 2018a; Ali Al-smadi et al., (2014); Al-Smady, (2017); Alsmady, 2018b; Hussin et al., 2019). Studies on liquidity, profitability, and revenues can be referred to (Matar & Eneizan, 2018b); corporate social responsibility by (Qaisi & Finance, 2019; Alafi et al., 2012; Omar & Zallom, 2016); supply chain practices, environmental sustainability by (Jum'a et al., 2021); earning management, social and environmental costs disclosure by (Shahwan & Esra'a, 2021; Smirat et al., 2016); ownership structure by (Alabdullah, 2018); board of directors characteristics by (AlQudah et al., 2019) and other studies.

From the above previous literature, the developed and developing countries studies have investigated several issues regarding the effect on companies' performance. Moreover, the Middle East countries and specific markets such as the unique royal family-controlled market show little investigation and need more of it. For example, the study by Ogunmakin et al., (2020) investigated tax avoidance on companies' performance in Nigeria and found a positive significant effect. The authors highly recommend further investigation on other developing countries markets. Desai & Dharmapala (2005) supported this theoretical argument. Thus, there is a lack of research on the impact of tax avoidance on the performance of companies in both developed and developing countries, which is also the first gap that this study aims to address.

Moreover, the financial performance output requires a higher quality of accounting information that provides investors with better investment choices. In this regard, several

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studies have investigated the effect of disclosure (Harun, 2021; Fong & Shek, 2009; Fajarini Sri Wahyuningrum & Djajadikerta, 2020), IFRs standards (Ofoegbu & Odoemelam, 2018), and transparency (Hassan Che Haat et al., 2008; Gani et al., 2021; Malau, 2019b) on companies' performance. In the Middle East and monarchy systems, the results of studies on corporate information disclosure and financial performance such as in Saudi Arabia (Al-dubai et al., 2021) show no effect of risk disclosure and risk management disclosure on firms' performance as supported by (Hariri, 2022). However, positive results are found in the same market (Elbarrad, 2014). On the other hand, Musleh Alsartawi (2018) investigated the online financial disclosure of Gulf Cooperation Council firms' performance and found a positive statistical association. As a result, there is no obvious outcome. Studies on the Jordanian market have been extensively conducted in relation to the disclosure (Abed et al., 2011; Alrawashedh & et al., 2021; Al-Akra et al., 2009; Shanikat et al., 2011; Al-Akra & Hutchinson, 2013; Al-Akra et al., 2010; Al-Akra et al., 2010; Al-Akra & Ali, 2012; Alsmady, 2018a) but none of these studies investigated the effect of accounting information quality on companies' performance in the Jordanian market. Thus, the second objective of this study is to investigate the association of accounting information quality and Jordanian listed companies' performance.

Moreover, the Jordanian market is distinctive as compared to other markets in developing and Middle East countries (Al-Akra et al., 2009; Al-Smady et al., 2014b; Ali Al-smadi et al., 2014; Hussin et al., 2019) because of the political involvement that may have an effect on accounting information disclosure and tax system. Its effect on companies' performance will be explained in the following section. The third objective of this study, it examines the direct effect of political connections on companies' performance as well as the moderating role of political connections on accounting information quality and tax avoidance on companies' performance relationships, which have not been investigated yet in the previous studies. In this regard, the current study expects that the political involvement has a moderating effect between the accounting information quality, tax avoidance, and Jordanian listed companies' performance.

Therefore, the study uses all Jordanian listed companies from 2008-2018 on Amman Stoch Exchange. The results indicate that accounting information quality mitigates the agency problem, namely the information asymmetry, and it positively affects Jordanian companies' performance. Also, the results reveal that the tax rate in Jordan is high, which leads the companies to avoid the tax. The result supports tax avoidance planning to help the companies to improve their performance. Moreover, the political connection in Jordanian companies negatively affects the company's performance. Further, the study analyses the moderating effect

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of the political link on those relationships. The analysis results support the idea that accounting information quality in Jordanian companies plays a vital governance function, and political connection cannot change the positive effect on companies' performance. At the same time, the political relationship has changed the positive impact of tax avoidance from a positive to an adverse effect on Jordanian companies' performance. These results also support the agency theory argument in which more political connection in the companies leads to control of the companies' resources to build their empire, thereby, negatively affecting their performance.

The study contributes to the current literature in several ways. Firstly, the study contributes to conducting more studies on the Jordanian market with little research in financial accounting and governance. Second, the study investigates political connection's direct and indirect effect on companies' performance. The moderating effect of politics between accounting information quality and companies' performance has not been investigated. In addition, many studies argued that tax avoidance is not healthy for companies' performance. However, in this study, the results show that in a high-rate tax market, tax avoidance helps the companies to have more free cash flow and therefore, finance their operating activities, thereby, improving their performance. Moreover, the study contributes to the existing literature by examining the moderating effect of politics on tax avoidance and company performance relationship.

The remainder of the paper is divided into these sections. The first section is an overview of Jordan's tax laws and accounting practices. Next, is the development of the hypothesis and associated literature. The research methodology and sample selection are covered in the fourth part. The empirical findings of the study's direct and moderating effect analyses are presented in the next section. The final section includes a suggestion for further investigation.

OVERVIEW OF ACCOUNTING PRACTICES AND TAX SYSTEM IN JORDAN

The tax system and accounting regulation in Jordan have been dynamically changing in terms of rules and practices. This section will briefly explain the accounting practices and tax system in Jordan with political involvement, which are also the main variables of this study.

First, the accounting practice in Jordan started after its independence in 1947. Then, in 1964, it established the first company law and became enacted in 1966. The company law was supervised and monitored by the Ministry of Industry and Trade, which was replaced in 1989. At this time, the law required the listed companies to prepare an annual report within specific and limited criteria, such as profit and loss, balance sheet, explanatory and auditor report (Al-

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Akra et al., 2009) to be listed in the market. In this regard, the accounting information provided in financial statements had no defined format or content, but according to Abu-Nassar & Rutherford (1996), it had to comply with Generally Accepted Accounting Principles (GAAP) only. Also, in 1966, the Trade Law required the companies in Jordan to have basic bookkeeping as a general journal. Then, Al-Akra et al. (2009, p. 168) stated several laws that were issued as complimentary such as the following; *"Investment Law (1972), Registration of Foreign Company Law (1975), and Control of Foreign Business Activities Defence Regulation (1978)"*. Then, all companies in Jordan were governed by Company Law No. 22 and Securities Law No. 76, which were cancelled in 1997 and 2002, respectively. In this regard, IAS/IFRS were mandated by both statutes for all Jordanian listed companies.

Jordanian market in the 1970s was the most important market in the region of the Middle East after Lebanon's war. The Amman Financial Market became actively existing in 1978, which required all the companies listed publicly to disclose their performance that may have an effect on the firms' value. Moreover, after Gulf War, the Jordanian government signed an agreement with International Monetary Fund (IMF) to make an economic reformer. Those reformers led to opening the market to national trade and investment and a market-oriented economy. Unfortunately, even though those market reforms were existent but still, the government and politics had control over the major companies in the Jordanian market (Al-Akra et al., 2009). Ali Alsmadi et al. (2014) stated that political involvement has a negative effect on important successful projects in Jordan such as privatised companies. Moreover, the authors argue that political connection may have a positive effect and could be the market reformer resulting on the company's performance. According to Al-Akra et al. (2009), Jordan is classified as a code-law country, which means that the law relies more on legal scholars to come up with the rules. Moreover, the reformer includes higher protection of shareholders and higher adoption of IAS and IFRs standards to maintain a higher quality and disclosure of accounting information. In this regard, Al-Akra et al. (2009, p.174) stated:

"…..become one of the largest equity markets in the region, legal investor protection in the country has improved significantly, companies show a strong preference for equity financing, and the quality of corporate disclosure has significantly improved"
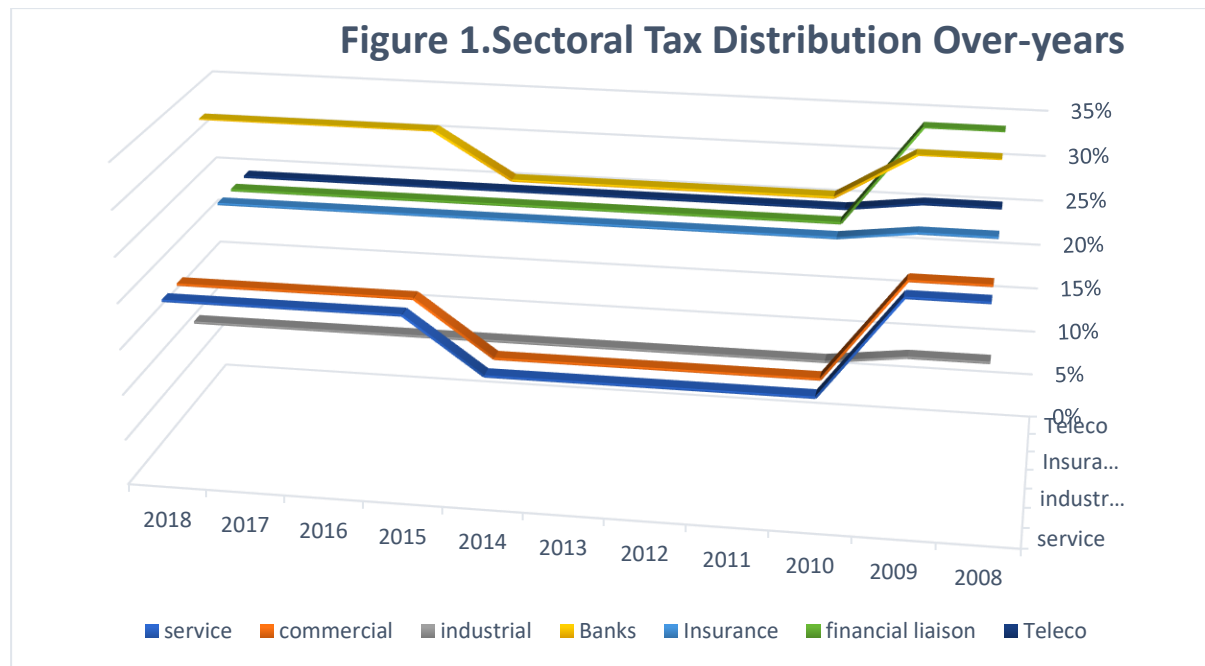
Second, Jordan's tax system has been evolving rapidly, which sparked criticism from the Jordanian society. In Jordan, the income tax was first implemented in 1/04/1933. The law stated that tax is collected from all employees in eastern Jordan, including members of the Legislative Council, government, and municipal employees who receive wages and salary. It is collected alone or with other profits, according to the percentages indicated in the legislation.

Then, the law was replaced in 1/04/1951 with more specifications and included several Article Laws from No. (1) to (69). These laws included imposing and tax offset income tax articles as well as assessment-based exemptions such as losses, family, insurance premiums, and penalties for non-payment of tax. Next, the replacement took over on 1/04/1959, which had no major changes except for some changes in income deduction of taxable income items. On 1/04/1965, a new law was issued and the changes were stated in Articles No. (6/14/15), explaining the taxable income and deduction. These changes give the Jordanian companies and families a lower tax rate, which may help the market towards improvement. The companies have an advantage to deduct the interest liabilities such as bonds interest.

Moreover, the families gain deduction advantages for each person in the family including education fees payment. Few changes were made to the newly issued law on 1/10/1985. Finally, the rest of the law changes specifically on the companies' tax rate is explained in Figure 1. According to the Ministry of Finance, Jordan Income and Sales Tax Department, the tax rate from 2008 until 2009 did not change for all sectors in the Jordanian market. In this regard, the service, commerce, telecommunication, and insurance sectors rates were classified at 25%, respectively, followed by 15% for industrial, and the banks and financial liaison at 35%. The next time period is from 2010 to 2014, in which all the tax rate sectors decreased. For example, the service, commercial, and industrial sectors decreased to 14%. Moreover, the banks' tax rate decreased to 30%. For telecommunication, insurance sectors, and financial liaison rate decreased to 24%. The last changes were made in 2015, in which the government was back again to increase the rate for insurance and commercial sectors by 20%, and 35% for the banks.

For these reasons, the problems of Jordan's tax system outweighed the benefits. Depending on the sector's importance, there may be exclusions for specific groups or persons. Many changes in Jordanian law, such as the income that is subject .to corporate tax, had a large gap, which could impact the performance of enterprises and the whole economy. Many Jordanians are protesting against the high and increasing tax modifications, which hinder both the economy and the basic needs of their fellow people.

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Figure 1.Sectoral Tax Distribution Over-years

LITERATURE REVIEW

According to the agency theory, the principal (shareholders) appoints the agent (managers) to efficiently handling the company's resource and achieve better performance (Jensen & Meckling, 1976). On the other hand, the agent tries to achieve his own interest, which requires an efficient governance mechanism such as accounting information quality (Hassan Che Haat et al., 2008). The previous studies argued that corporate governance has an effect on companies' performance and the empirical studies supported the positive effect on companies' performance (Saidat et al., 2019; Mansur, 2018; Tawfeeq Yousif Alabdullah et al., 2014; Al-Najjar, 2010; Marashdeh, 2014; Alsmady, 2018a; Ali Al-smadi et al., 2014; Al-Smady, 2017; Alsmady, 2018b; Hussin et al., 2019).

On the other hand, low-income countries require more resources, but obtaining capital and financing attached with higher costs may lead the companies to avoid the tax as an alternative resource of cash. In this regard, Liu & Mao (2019) believe that companies can expand their investment and achieve higher performance if tax payments are reduced. According to DeAngelo & Masulis (1980), companies can utilise the tax shield to replace debt (a benefit provided by tax subsidies), leading the market price to grow and improve the company's performance. Moreover, Desai & Dharmapala (2006) claim that when tax avoidance operations are effectively monitored and controlled, there may be a positive net effect on companies' performance.

According to the agency theory, tax avoidance with political involvement leads to higher agency costs due to non-aligned interests between the shareholders and political

managers. Moreover, the political connection may have an effect on companies' performance and vice versa on tax avoidance and accounting information quality association with companies' performance. In this regard, Wong & Hooy (2018) confirmed that the political connection has a negative effect on Malaysian listed companies' performance. Also, Abdul Wahab et al. (2017) confirmed that companies with political connections have more tax avoidance than non-connected firms. Based on the agency theory argument, the following section is about the related studies and hypotheses development under the study.

Accounting Information Quality and Companies Performance

According to Jensen & Meckling (1976), managers know information more than investors which creates information asymmetry problem. This leads to lower efficiency of used resources. Meanwhile, the problem of information asymmetry will be reduced, thus leads to an efficient governance mechanisms (Jensen & Meckling, 1976) such as the quality of accounting information (Ofoegbu & Odoemelam, 2018; Lang & Lundholm, 1993; Drobetz et al., 2004). In this regard, Zhou & Chen (2008) confirmed that accounting information quality is important for better resource allocation. The previous studies supported the argument that accounting information quality is a good governance mechanism that helps in mitigating the agency cost of information asymmetry (Chi, 2009; Hassan Che Haat et al., 2008; Musleh Alsartawi, 2018).

On the other hand, Zhai & Wang (2016) argued that accounting information quality plays a governance function and could mitigate the sharking behaviours by the administrative, which in turn helps the company for better allocation of resources and affects the company's performance. In this regard, Chi (2009) investigated the information disclosure effect on Taiwan and found that accounting information has a significant positive effect on companies' performance. Moreover, Musleh Alsartawi (2018) investigated the association between online accounting information disclosure and Gulf Cooperation Council companies' performance and supported the positive significant effect.

Moreover, several studies confirmed the same results such as in Iran, Malaysia, and Saudi Arabia (Khanifah et al., 2020); in Pakistan (Zaman et al., 2014), in Oman (Gani et al., 2021); in Taiwan (Chi, 2009); manufacturing companies in Indonesia (Malau, 2019a), and the effect of earning quality on industrial companies' performance in Jordan only in which the positive effect was confirmed by Saleh et al. (2020). Also, Abdo & Fisher (2007) investigated the impact of governance disclosure of Johannesburg Stock Exchange (JSE) on financial performance and supported the argument of accounting information quality as having a direct

positive effect on companies' performance. From the discussion above, the study introduces the following hypothesis:

H₁: There is a positive significant relationship between accounting information quality and companies' performance.

Tax Avoidance and Companies' Performance

The previous studies largely argued the costs and benefits of tax avoidance. According to the agency theory, the perspective regarding tax avoidance leads to higher agency costs and increases the managers' sharking behaviour with more tools (Desai & Dharmapala, 2009). On the other hand, the tax avoidance strategy helps companies to have higher free cash in hand by transferring the cash from the government to the shareholders which then should increase the wealth and companies' performance (Khuong et al., 2020). The tax avoidance strategy is used by the company to finance the company activities and cover the liabilities, thereby increasing the company's performance and value (Minh Ha et al., 2021).

In this regard, there are two sides of empirical studies' findings on tax avoidance effect on company performance. The first stream of research supported the idea that tax avoidance activities are not healthy activities to the company's performance. In this regard, tax avoidance helps opportunistic managers with higher tools to exercise more sharking behaviours, which leads to lower information quality and companies' performance (Balakrishnan et al., 2019). According to Khuong et al. (2020), tax avoidance may also cause businesses to engage in complex activities to avoid paying taxes; this will definitely obscure their financial performance. Desai & Dharmapala (2009) found a negative effect of tax avoidance on firms' value except for firms with a high level of institutional ownership. According to Hanlon & Slemrod (2009) and Kim et al. (2011), tax avoidance gives bad image on the company in the market and leads to destroy the company's value. Chen et al. (2014) supported the argument that tax avoidance increases the agency cost and affects negatively on the company value. On the other hand, Desai et al. (2007) found that tax avoidance increases the information asymmetry between the opportunistic managers and investors.

Second, there is another stream of research findings that support tax avoidance as a healthy activity for a company to have more free cash with a lower cost of financing the company activities, thereby positively affecting a company's performance. In this context, Dharmapala & Desai (2011) supported the argument and found that tax avoidance helps companies to increase their value and performance of the firms. Tax avoidance activities will increase the profit after tax, which leads to the increase of shareholders' wealth and companies'

performance (Bryant-Kutcher et al., 2012). Similar results are supported by other researchers such as Wang (2010) and Inger (2013). Surprisingly, Khuong et al. (2020) and Minh Ha et al. (2021) indicated that tax avoidance and corporate value have received less attention, particularly in emerging nations. As indicated, the empirical research on the association between tax avoidance and companies' performance is still equivocal. Thus, the study introduces the following hypothesis:

H₂: There is a significant relationship between tax avoidance and companies' performance.

Political Connection and Companies' Performance

The political intervention in the companies and its effect on companies' performance have been argued in many accounting and finance studies (Chen et al., 2011). In this regard, some argued that the political connection gives an advantage to the companies by getting more resources where it is scarce (Hossain, 2020; Bunkanwanicha & Wiwattanakantang, 2008) and helps the companies to build out. Moreover, a company with a political connection has a better prediction about economic changes (Barney, 1991). On the other hand, Chen et al. (2011) argued that politicians grow their empires by utilising corporate resources and increasing the agency conflict between government stockholders and other stockholders. According to Faccio et al. (2006), politically connected companies have higher agency cost due to rent-seeking activities. Moreover, Chang & Wong (2002) stated that the higher the political interference in the company, the lower governance and performance is. Shleifer & Vishny (1994) argued that the allocation of right control over the cash between the managers and political connection leads to less resource allocation, thereby lowering companies' performance.

The empirical research also has some studies that supported the positive effect on companies' performance and others who found a negative effect. For example, Goldman et al. (2009) study for S&P 500 companies in United States, and they investigated whether the political connection has an effect on abnormal stock return and found a statistical positive association. However, Ang et al. (2013) argued that the positive effect on companies comes when the companies have a low level of corruption. Moreover, Wang et al. (2019) study the political connection on companies' performance using non-financial companies listed in China during 2004 to 2014 of government officials' site visits and the results supported the positive effect. Moreover, the study confirmed that the political connection helps the companies to have more investment, and bank loans, decreasing information asymmetry and being able to improve corporate governance effectiveness. Similar results are found by Maaloul et al. (2018) in Tunis

Stock Exchange, supporting that political connection has a positive effect on firms value and companies' performance.

On the other hand, a study of company performance by Ali Alsmadi et al. (2014) in the Jordanian market investigated the effects of political connection in privatised companies supports the negative effect, while the royal connection has a positive effect. An interesting study by Wong & Hooy (2018) investigated four types of political connection, namely: government- linked companies, board of directors, businessman, and family members, and it found a negative effect on Malaysian companies' performance. Also, Saeed et al. (2015) investigated the political serving on the board of directors and companies' performance, and found politically connected companies underperform (ROA and ROE) compared to others. Also, in a study conducted in China by Cao et al. (2011), the findings stated that the appointment of a politician as a top executive in a privately managed corporation improves a company's performance only after the political executive is replaced with a new candidate who is not politically affiliated. According to this study, the connection will deplete the shareholder value, damage company performance, and aggravate corporate governance in emerging economies. From the discussion above, the association between political intervention and companies' performance is still equivocal. Thus, the study introduces the following hypothesis:

H3: There is a significant relationship between political intervention and companies' performance.

The Role of Political Connection on AIQ and Performance Relationship

Information asymmetry comes when the managers and political connections in the firms know more information than the shareholders (Jensen & Meckling, 1976). Thus, the companies seek to increase the quality of accounting information disclosure in order to reduce information asymmetry (Cormier et al., 2010; Jensen & Meckling, 1976). In this regard, Lemon & Cahan (1997) argued that accounting information may be affected by firms' characteristics. The study argued that political cost in the firms (political measure) is one of those characteristics that affect environmental disclosure. Moreover, the study by Lemon & Cahan (1997) investigated the association between political visibility and information disclosure in New Zealand and found a positive and significant relationship between both. The study used six different measures of political intervention to confirm the results which give a higher robust conclusion. Also, Lata (2020) supported the statement that the governance mechanisms had a negative effect on information asymmetry. This argument supported the importance of accounting information as a governance function that helps firms to solve the information asymmetry and

thereby improving the companies' performance. Meanwhile, the effect of political intervention on the relationship between the accounting information and company performance has not been investigated.

Unfortunately, the previous study supported a positive and negative effect of political connections on company performance. Therefore, the political connection could change the positive effect of accounting information quality on companies' performance or support the positive effect. In this regard, Ward et al. (2009) argued that corporate governance in the firms could act through substitutability and complementarity in enhancing the company performance. The substitute role of governance means that the governance mechanisms could singularly mitigate the agency problem created by political sectors. The governance function, on the other hand, should either help the company to support the beneficial influence of politics or solve the bad impact of politics on company performance as a complementary role. In the same argument of Ward et al. (2009), a study conducted by Abdul Wahab et al. (2017) in the Malaysian context found that politics is forbidden to show the good impact of corporate governance. Therefore, the accounting information quality as a governance function in the firms may act as a complement or substitute for enhancing company performance. Thus, the study introduces the following hypothesis:

H4: The political connection affects the relationship between accounting information quality and companies' performance.

The Role of Political Connection on Tax Avoidance and Performance Relationship

The literature on the effect of tax avoidance on company performance takes a variety of approaches. According to Desai & Dharmapala (2009), the concept of tax avoidance, when viewed through the lens of agency theory, results in higher agency costs and an increase in the number of tools managers use to participate in predatory behaviour. From another perspective, tax avoidance is a strategy that allows businesses to have more free cash in hand by transferring funds from the government to companies (Khuong et al., 2020), which at the same time helps businesses finance their operations and pay off debt; hence, improving their performance (Minh Ha et al., 2021). As a result of the various instructions and controls over management and political opportunism, there is no definitive outcome of tax avoidance effect on companies' performance.

In this regard, previous research did not look into the effect of political action on tax avoidance and company performance relationship. According to Shleifer and Vishny (1994), allocating the right control over cash, such as cash derived from tax avoidance actions, between

managers and politicians leads to a reduction in resource allocation and, as a result, lowers a company's performance. Furthermore, Chen et al. (2011) suggested that politicians expand their empires by utilising corporate resources and escalating the agency conflict between political and non-government stockholders. Furthermore, Chang & Wong (2002) argued that an increased political influence in the company results in less efficient governance functions and lowers a company's performance, as cash tax savings are used inadequately. Similar findings were observed in the Malaysian context by Abdul Wahab et al. (2017), as they looked into the effect of politics on tax aggressiveness and the function of company governance in mitigating that effect. The findings have shown that politically connected companies are more tax aggressive than non-affiliated companies. As a result, the study predicted that politicians would use tax avoidance cash ineffectively, which may result in a negative coefficient on company's performance. However, if political factors positively affect company performance, the positive coefficient is expected to rise. As a result, the following hypothesis is presented in the study:

H5: The political connection affects the relationship between tax avoidance and companies' performance.

Based on the discussion above of hypotheses development, the study will examine the following theoretical framework as summarised in Figure 2.

Figure 2.: Theoretical Framework
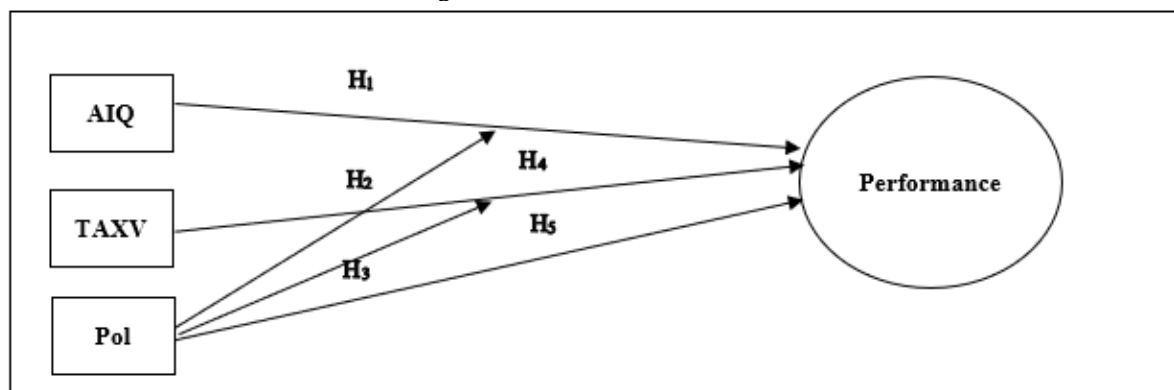
RESEARCH METHOD AND SAMPLE SELECTION

Study Sample

The initial sample in this study consists of all listed companies on Amman Stock Exchange during the period 2008-2018. The study covers this period because those years have the datafor the variables measurements which is different frompreviousdata structure on the companies' annual reports. Also, the tax rate after 2008 has 3-time changes among the

industries. The interval period changes as explained in Section 2 above are from 2008 to 2009, 2010 to 2014, and the period after 2015. The data collected from Amman Stock Exchange Companies Guide is the data disclosures for the financial statement that change dynamically as a result of different standards applied. Due to a variety of circumstances such as liquidation and mergers, as well as changes in the legal status of companies...etc., the number of companies listed under the research period fluctuated over the last 10 years, with some decreasing and others increasing. In this regard, the number of companies from 2008 to 2010 was 246, then from 2011 to 2014 was 228, but decreased from 2015 to 2018 to 206 across all industries. So, the total sample in the study consists of 206 companies for 11 years which includes political and non-political connected companies.

Table 1 explains the data from all sectors. The table shows that the higher number of companies and the higher percentage is the financial sector (95) 46%, followed by the industrial sector (57) 28%, and services form (54) 26%, respectively. Among the financial sectors, the study excluded the banks' companies due to different requirements and jurisdictions in the Jordanian market. The higher industry in financial sectors is diversified into financial services (37 companies) with 18% percent, followed by real estate (35 companies) with 17% percent, and the lower-level participant is the Islamic insurance companies (2 companies) with 1% percent. Meanwhile, the industrial sector has a higher industry of mining and extraction (15 companies) with 7%, and the lowest industry is printing and packaging (1 company) 0.5%. The last sector is the services sector, which has a higher industry of transportation (12 companies) with 6%, followed by commercial services (11 companies) with 5%, respectively. The lowest industry is media and technology and communications, which were only 2 companies representing 1%.

Table. 1 Study Sample

Sector	Industry	No.of Company	Percentage
Financial Sector =	Diversified Financial Services	37	18%
	Real Estate	35	17%
	Insurance	21	10%
	Islamic Insurance	2	1%
Total	4	95	46%
Industrial Sector =	Chemical Industries	6	3%
	Electrical Industries	4	2%
	Engineering and Construction	7	3%
	Food and Beverages	10	5%
	Mining and Extraction Industries	15	7%
	Paper and Cardboard Industries	3	1%
	Pharmaceutical and Medical Industries	6	3%
	Printing and Packaging	1	0.5%
	Textiles, Leathers and Clothing	3	1%

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	Tobacco and Cigarettes	2	1%
Total	10	57	28%
Services Sector =	Commercial Services	11	5%
	Educational Services	6	3%
	Health Care Services	4	2%
	Hotels and Tourism	11	5%
	Media	2	1%
	Technology and Communications	2	1%
	Transportation	12	6%
	Utilities and Energy	6	3%
Total	8	54	26%
All sample =	22	206	100%

Variables Measurement and Empirical Models

The study used two measurements for dependent variables, which are the accounting measure and market measure. According to Gentry & Shen (2010), the firm performance construct contains multidimensional components, in which financial performance is the most often utilised. The accounting-based measurement returns on equity (ROE) and the market-based measure is Tobin's Q. The return on equity is calculated by net income/shareholders equity (Ali Al-smadi et al., 2014; Al-Smady et al., 2014a). The Tobin's Q is calculated by (Market value of ordinary shares + total book value of long-term debts) / net worth (total assets less total liabilities) (Hassan Che Haat et al., 2008). Thus, in this study, following many researchers (Ali Al-smadi et al., 2014; Al-Smady et al., 2014a; Buallay et al., 2017; Khatab et al., 2011; Alodat et al., 2021), the ROE and Tobin's Q are used to measure the companies' performance (Perform).

The study has three independent variables, namely accounting information quality, tax avoidance, and political connection. In this regard, many previous studies supported the idea that accounting information quality, tax avoidance, and political connection have significant effects on companies' performance. The accounting information quality measurement in this study came from the originally proposed idea by Dechow & Dichev (2002), and then was improved by McNichols (2002) and was used by others as a more reliable measure of accounting information quality (De Meyere et al., 2018; Xing & Yan, 2018). Thus, this study used the same model to measure accounting information quality (AIQ $_{i,t}$) and to curb the heteroscedasticity problem. All variables are scaled by the average total assets of year t following (De Meyere et al., 2018);

$$\Delta WC_{i,t} = \gamma_0 + \gamma_1 * CFO_{i,t-1} + \gamma_2 * CFO_{i,t} + \gamma_3 * CFO_{i,t+1} + \gamma_4 * \Delta Sales_{i,t} + \gamma_5 * PPE_{i,t} + \varepsilon_{i,t,}$$

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Where is $\Delta WC_{i,t}$; is the change in non-cash working capital from year t-1 to year t. Also, the $CFO_{i,t}, CFO_{i,t-1}, CFO_{i,t+1}$; are the cash flow from operations in years t, t-1, and t+1, respectively; 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.

The second independent variable in the study is tax avoidance, which has different uses in the previous studies and different measurements. According to Hanlon and Heitzman (2010), there is no universally accepted and generalisable definition of tax avoidance because of various research objectives and viewpoints that exist. In general, the widely accepted definition of tax avoidance is any planning to reduce the tax liabilities to the public authority using legal action, while illegal action is defined as tax evasion (Aronmwan & Okafor, 2019). Moreover, Aronmwan and Okafor (2019) stated that when the company uses legal action in an aggressive way, it becomes illegal. Unfortunately, capturing the legality of planning or transaction planning is not easy and requires an ex-ante analysis.

Thus, the previous studies argued that the concepts such as tax planning, tax management, tax aggressiveness, tax evasion, and tax sheltering have the implicit concept meaning of tax avoidance (Boussaidi & Hamed, 2015). Thus, in this study, we used a more extensive measurement than in previous tax avoidance studies, which is the Effective Tax Rate (ETR), as it has a different way of calculation. According to Aronmwan and Okafor (2019), the selection needs to be chosen carefully because the different basis (Accruals and Cash) is used to measure the numerator and denominator which creates several limitations. In this regard, Hanlon and Heitzman (2010); Salihu et al. (2015) state that the more reliable, having fewer limitations, and consistent basis measure between the numerator and denominator is the Cash ETR. It was calculated by dividing the cash tax paid in year t by the company current operating cash flow used in this study (TAXV i,t)

This study also has political connection variables that have been argued for their significant effect on firms' performance, tax avoidance, and accounting information quality. The previous studies used different measurements of political connection such as i) the government as a major shareholder (Bradshaw et al., 2019), ii) one of the board members has former positions (Kim & Zhang, 2015), iii) *"owners or board of directors, board of commissioners has served in a government official, military officer or parliament member during the period of study"* (Resti et al. (2020,p.504), iv) or any other appointed bureaucrat in local or central government (Joni et al., 2020). Following Resti et al. (2020), this study employs

hand-collection methods to political information of any political relation with Jordanian company profile in the annual reports, the website, and google search if the information is not available. The dummy variables (PoL i,t) are used as 1 if the company is politically connected and 0 if otherwise.

Lastly, several control variables are included in the models such as a year's dummy of changing tax rates for all industries (DM2010 I,t), which is 1 if the year is 2010, and 0 if otherwise. Also, 1 if the year is 2015 and 0 if otherwise (DM2015i,t) (Abdul Wahab et al., 2017). Also, by following other researchers like Ioannou and Serafeim (2015) and Alazzani et al. (2021), the financial performance (ROAi,t-1), Leverage (Lever i,t), company size, the natural logarithm of total assets, and also for intangible Log(Ass i,t) and Log(TanAss i,t) are included in the models. Equation 1 is about the OLS regression that is used to examine the H1, H2, and H3.

$$\text{Perfom}_{i,t} = b_0 + b_1 \text{Taxv}_{i,t} + b_2 \text{PoL}_{i,t} + b_3 \text{AIQ}_{i,t} + b_4 \text{Log(Ass)}_{i,t} + b_5 \text{DM2010}_{i,t} + b_6 \text{DM2015}_{i,t} + b_7 \text{Log(TanAss)}_{i,t} + b_8 \text{Lever}_{i,t} + b_9 \text{ROA}_{i,t-1} + e_{i,t} \dots \text{Eq.1}$$

Then, the interaction between the political connection and accounting information quality is replaced in Equation 2 by using (PoLi,t×AIQi,t) to validate the H4.

$$\text{Perfom}_{i,t} = b_0 + b_1 \text{Taxv}_{i,t} + b_2 \text{PoL}_{i,t} + b_3 \text{AIQ}_{i,t} + b_4 (\text{PoL}_{i,t} \times \text{AQ}_{i,t}) + b_5 \text{Log(Ass)}_{i,t} + b_6 \text{DM2010}_{i,t} + b_7 \text{DM2015}_{i,t} + b_8 \text{Log(TanAss)}_{i,t} + b_9 \text{Lever}_{i,t} + b_{10} \text{ROA}_{i,t-1} + e_{i,t} \dots \text{Eq.2}$$

Finally, the interaction between the political connection and tax avoidance is added to Equation 3 by using (PoLi,t×Taxvi,t) to validate the H5.

$$\text{Perfom}_{i,t} = b_0 + b_1 \text{Taxv}_{i,t} + b_2 \text{PoL}_{i,t} + b_3 \text{AIQ}_{i,t} + b_4 (\text{PoL}_{i,t} \times \text{AIQ}_{i,t}) + b_5 (\text{PoL}_{i,t} \times \text{Taxv}_{i,t}) + b_6 \text{Log(Ass)}_{i,t} + b_7 \text{DM2010}_{i,t} + b_8 \text{DM2015}_{i,t} + b_9 \text{Log(TanAss)}_{i,t} + b_{10} \text{Lever}_{i,t} + b_{11} \text{ROA}_{i,t-1} + e_{i,t} \dots \text{Eq.3}$$

Table 2 briefly explains the measurement and symbols for each variable used in the above models.

Table 2. Variables and Measurements

Variable (Symbol)	Measurement
Panel A: Dependent Variable	
Company performance *(Perfom)*	ROE: net income / shareholders' equity Tobin's Q: (Market value of ordinary shares + total book value of long-term debts) / net worth (total assets - total liabilities).
Panel B: Independent and Moderator *Independent* Accounting information quality *(AIQ)*	$\Delta WC_{i,t} = \gamma_0 + \gamma_1 {}^* CFO_{i,t-1} + \gamma_2 {}^* CFO_{i,t} + \gamma_3 {}^* CFO_{i,t+1} + \gamma_4 {}^* \Delta Sales_{i,t} + \gamma_5 {}^* PPE_{i,t} + \varepsilon_{i,t,}$
Tax avoidance *(Taxv)* *Moderator/ Independent*	= cash tax paid in year $t \div$ the company current operating cash flow t
Political connection *(PoL)*	The dummy variable = 1 if the company politically connected and 0 otherwise.
Control Variables	
Change in return of assets ($\Delta ROA_{i,t-1}$)	The change in return of assets from t to t-1.
Leverage (LEVE)	Debt to Equity Ratio $\left(= \dfrac{\text{Total Liabilities}}{\text{Total Shareholders Equity}} \right)$
Natural Logarithm of total assets Log(Ass)	*Natural Logarithm of total assets.*
Natural Logarithm of total tangible assets Log(TanAss)	*Natural Logarithm of total tangible assets*
Years change of tax rat ($DM2010_{i,t}$) ($DM2015_{i,t}$)	Year Dummy = 1 if the year 2010 and 0 otherwise. Year Dummy = 1 if the year 2015 and 0 otherwise.

EMPIRICAL RESULTS

Diagnostics Test

The study has conducted several regression assumption tests before interpreting the results. First, the normality test of errors for all models above was investigated using the Jarque-Bera test. The results confirm that all errors terms in the models were normaly distriputed at less than 5% level, respectivley. This study also follows De Meyere et al. (2018), by winsorising all the variables under the study at the 1st and 99th percent to avoid the outlier. Moreover, the intercept E(ut)=0 in all regression models was included. The study has investigated the possibility of multicollinearity using the variance inflation factor (VIF) and the results confirm that all variables in all models have less than 10, signifying no multicollinearity problem. The Durbin-Watson test was used to check for autocorrelation among models (1), (2), and (3), residuals (3). Autocorrelation was less than 5% in Tables 4, 5, and 6, showing no autocorrelation problem in the regression. These data showed that the regression had no autocorrelation. The study employed F-statistic for all models and the results showed models (1), (2), and (3) as having a high probability significant value with a 0.0 level. Models (1), (2), and (3) had R2 values of 38% on (ROE) and 15% on Tobin's Q.

Descriptive Analysis and Correlation Matrix

Table 3 shows the descriptive analyses for the variables included in the study models. The results show that tax avoidance (Taxv) in Jordanian market companies under the study ranges between minimum and maximum values (-5.53) and (5.61), respectively. These results indicated that there are some companies that have carried out tax avoidance practices within the companies while some other companies have not. The mean value of Cash ETR is 6%, and it may affect positively or negatively on companies' performance. These results figures are quite similar to other Jordanian studies (Alkurdi & Mardini, 2020). The political connection measure is a dummy variable that has a mean value of 49%, which means that most of the companies have connected with political connections. These results indicated the high political involvement percentage, which may have positive and negative effects on Jordanian companies' performance. In this regard Alshirah et al. (2021) found that the Jordanian market has a high level of political engagement, and they advised regulators to consider the negative effects of political connections and establish additional regulations to regulate them. The accounting information quality proxy (AIQ) shows the range value from minimum and maximum: (-1.51) and (1020) with mean value of (-47.9) and standard deviation of (43.01), signifying the good range of accounting information quality in Jordanian market. The results are quite similar to Zhai and Wang (2016) who found the standard deviation value of (43.68). Thus, the accounting information quality could play an important role on affecting Jordanian companies' performance. Moreover, the companies' performance measure: return on equity (ROE) and Tobin's Q shows the range value from minimum and maximum:(-7.64) and (4.73), while Tobin's Q : (-6.77) and (9.82), respectively. Similar results in the Jordanian market are also found by (Jum'a et al., 2021).

Regarding the control variables inserted in the study, the models to minimise the error and control of heterogeneity have a natural logarithm of total assets (Log(Ass)) and total tangible assets (Log(TanAss)), one lagged return on assets (ΔROA i,t-1), years dummy of tax rate changes namely (DM2010) and (DM2010), and leverage (LEVE). The Log(Ass) shows the range value from minimum and maximum:(11.83) and (21.31). This means that the Jordanian companies have large assets that could influence positively on companies' performance. The result is quite similar to another Jordanian study conducted by (Jaara et al., 2018). Also, the Log(TanAss) has ranged the value from minimum and maximum: (-0.23) and (1.00). The dummy variables of (DM2010) and (DM2010) have ranged the value from minimum and maximum: (0.00) and (1.00), respectively. Finally, the leverage (LEVE) is included to control the financial risk and the value has ranged from minimum and maximum: (-7.87) and (5.53).

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The results are quite similar to a Jordanian study (Al-Rdaydeh et al. 2018) and another study on GCC countries' economies (Alsayegh et al., 2020).

Table. 3: Descriptive Analysis

	Mean	Median	Maximum	Minimum	Std. Dev.	Skewness	Kurtosis	Obs.
Taxv	0.06	0.00	5.61	-5.53	0.35	-1.19	9.23	1909
PoL	0.49	0.00	1.00	0.00	0.50	0.05	1.00	1909
AIQ	-47.9	-4.703	1020.00	-1.51	43.01	-1.70	2.40	1964
Log(Ass)	16.87	16.87	21.31	11.83	1.41	0.07	3.76	1909
DM2010	0.10	0.00	1.00	0.00	0.30	2.70	8.26	1909
DM2015	0.10	0.00	1.00	0.00	0.30	2.66	8.05	1909
Log(TanAss)	0.38	0.27	1.00	-0.23	0.35	0.39	1.62	1909
LEVE	1.79	0.75	5.53	-7.87	6.33	7.33	3.97	1909
(ΔROA $_{i,t-1}$)	-0.08	1.28	4.70	-3.28	5.96	-6.41	8.61	1909
ROE	-1.54	1.49	4.73	-7.64	3.46	-5.27	7.84	1909
Tobin's Q	1.11	0.85	9.82	-6.77	21.52	-7.61	3.06	1909

Note: *Taxv* is = cash tax paid in year *t* ÷ the company's current operating cash flow *t*. *PoL* is the dummy variable = 1 if the company politically connected and 0 otherwise. *AQI* proxy is $\Delta WC_{i,t} = \gamma_0 + \gamma_1 * CFO_{i,t-1} + \gamma_2 * CFO_{i,t} + \gamma_3 * CFO_{i,t+1} + \gamma_4 * \Delta Sales_{i,t} + \gamma_5 * PPE_{i,t} + \varepsilon_{i,t}$. **Log(Ass)** is the Natural Logarithm of total assets. *DM2010* is *the y*ear dummy = 1 if the year 2010 and 0 otherwise. *DM2015* is the year dummy = 1 if the year 2015 and 0 otherwise. *Log (TanAss)* is the Natural Logarithm of total tangible assets. *LEVE* is debt to equity ratio = total liabilities / total shareholders equity. (Δ**ROA** $_{i,t-1}$) is the change in return of assets from *t* to *t-1*. *ROE* is = net income/shareholders' equity. *Tobin's Q* is (Market value of ordinary shares + total book value of long-term debts) / net worth (total assets - total liabilities).

Table 4 is the correlation matrix that examines the multicollinearity problem among the independent variables. According to Asteriou and Hall (2007), the correlation that is less than 90% does not indicate a critical multicollinearity issue in regression analysis models. The result in Table 4 shows that all variables have less than the critical value of a serious multicollinearity problem. Moreover, the accounting information quality indicates a bivariate positive effect on companies' performance measurement. In addition, tax avoidance has a bivariate positive effect on companies' performance measurement. Meanwhile, the political connection results show a bivariate negative effect on companies' performance measurement. Further investigation of the effect of fundamental variables on companies' performance will be examined in the following regression analysis section.

Table. 4: Correlation Matrix

	Taxv	PoL _	AIQ	Log(Ass)	DM2010	DM2015	Log(TanAss)	LEVE	(ΔROA)	ROE	Tobin's Q
Taxv	1.00										
PoL	-0.04	1.00									
AIQ	-0.01	0.02	1.00								
Log(Ass)	0.06	-0.18	-0.05	1.00							
DM2010	0.02	-0.01	0.01	0.00	1.00						
DM2015	-0.04	0.00	0.01	-0.01	-0.11	1.00					
Log(TanAss)	-0.06	0.59	-0.02	-0.02	-0.03	0.00	1.00				
LEVE	0.02	-0.07	-0.09	0.17	-0.04	0.03	-0.04	1.00			
(ΔROA)	0.06	-0.08	0.03	0.25	-0.02	0.00	-0.04	-0.09	1.00		
ROE	0.01	0.00	0.01	0.12	0.04	-0.01	0.03	-0.12	0.68	1.00	
Tobin's Q	0.01	-0.01	0.00	0.01	-0.07	0.00	0.03	0.03	-0.03	-0.07	1.00

Note: Taxv is = cash tax paid in year *t* ÷ the company's current operating cash flow *t*. *PoL* is the dummy variable = 1 if the company is politically connected and 0 otherwise. *AIQ* proxy is $\Delta WC_{i,t} = \gamma_0 + \gamma_1 {}^*CFO_{i,t-1} + \gamma_2 {}^*CFO_{i,t} + \gamma_3 {}^*CFO_{i,t+1} + \gamma_4 {}^*\Delta Sales_{i,t} + \gamma_5 {}^*PPE_{i,t} + \varepsilon_{i,t}$.

Log(Ass) is the Natural Logarithm of total assets. ***DM2010*** is *the y*ear dummy = 1 if the year 2010 and 0 otherwise. ***DM2015*** is the year dummy = 1 if the year 2015 and 0 otherwise. *Log (TanAss)* is the Natural Logarithm of total tangible assets. *LEVE* is debt to equity ratio = total liabilities / total shareholders equity. **(ΔROA** *i,t-1*) is the change in return of assets from *t* to *t-1*. *ROE* is net income/shareholders' equity. ***Tobin's Q*** is (Market value of ordinary shares + total book value of long-term debts) / net worth (total assets - total liabilities).

REGRESSION ANALYSIS

The Direct Effect of Tax Avoidance, AIQ, and Political Connection on Companies' Performance

Table 5 provides the regression results of Equation 1 (Eq.1), which investigated the direct effect of accounting information quality, tax avoidance, and political connection on Jordanian listed companies' performance. Equation 1 (Eq.1) is used to test the hypotheses of this study (H1, H2, and H3). First, H1 examines the significant relationship between accounting information quality and companies' performance. Second, H2 examines the relationship between tax avoidance and companies' performance. Third, H3 examines the relationship between political intervention and companies' performance. Equation 1 has a good fit with R2 (38%) on ROE and (15%) on Tobin's Q, respectively. The result is quite similar to previous studies conducted by (Wang et al., 2019; Malau, 2019b).

Hypothesis H1 examines the association between the accounting information quality and companies' performance, and the result shows a highly positive coefficient at level 1% (0.00, p=<0.01) and (0.80, p=<0.01) on ROE and Tobin's Q measurement of companies' performance, respectively. The result confirms the agency theory argument that accounting information quality reduces information asymmetry, thereby increasing the companies' performance (Jensen & Meckling, 1976). Moreover, the results support Zhai and Wang's (2016) argument, in which accounting information quality plays an important governance function that helps the firms to control the managers and to have better resource allocation within the

companies. Similar results were found in Taiwan companies' performance by Chi (2009), in GCC countries companies' performance by Musleh Alsartawi (2018), and in the Jordanian market (Saleh et al., 2020).

In addition, the test of the relationship between tax avoidance and companies' performance in Equation 1 (Eq.1) and hypothesis H2 result shows a positive and highly significant coefficient at a level less than 1% (0.93, p=<0.01) and (0.83, p=<0.01) on ROE and Tobin's Q measurement of companies' performance, respectively. The results also show a positive effect of tax avoidance on the Jordanian market because it increases the cash flow reassures in the company hand, which increases the shareholders' wealth and companies' performance (Khuong et al., 2020).

This result is inconsistent with the agency theory perspective. Desai and Dharmapala (2009) support the premise that tax avoidance raises agency costs and gives managers an additional instrument to engage in more opportunistic behaviour. Meanwhile, the finding in Minh Ha et al. (2021) is opposite to the agency theory as they stated that when the companies in the market face a high rate of tax and high cost of capital like the Jordanian market (Abughniem et al., 2021), companies tend to practice tax avoidance as an alternative strategy. The authors also argue that helping the companies to have higher cash resources also helps in financing their operating activities and covers the liabilities with a low cost of financing, which at the same time has a positive effect on the companies' performance. This argument is also supported by Dharmapala and Desai (2011) who stated that tax avoidance is a healthy activity in low-market financing, which is similar to the Jordanian case industries (Abughniem et al., 2021). The similar result were found in other studies such as Bryant-Kutcher et al. (2012).

Moreover, the test of the relationship between political intervention and companies' performance in Equation 1 (Eq.1) and hypothesis H3 result shows a negative and highly significant coefficient at a level less than 1% (-0.81, p=<0.01) and (-0.20, p=<0.01) on ROE and Tobin's Q measurement of companies' performance, respectively. The result indicates a negative effect of political involvement on Jordanian companies' performance because the market has a higher monopoly market by political 49%, which also leads to a higher risk for the market (Click & Weiner, 2009). The result supports the agency theory argument by Shleifer and Vishny (1994), who stated that political connection between the firms increases the agency cost and leads to a negative effect on performance. Also, Chen et al. (2011), based on the agency argument, concluded that more political involvement lead to the enhancement of their empire with the use of the inefficient companies' resources, resulting in a higher political stakeholders' power and increasing the conflict with the shareholders. Similar results were found in other

studies such as the Jordanian market by Ali Al-smadi et al. (2014), Malaysian market by Wong and Hooy (2018), and the Chinese market by Cao et al. (2011).

Finally, the control variables in Equations 1, 2, and 3 in the following yield have quite similar results. The natural logarithm of total assets Log(Ass) has a positive coefficient on ROE at a level less than 1% (0.74, p<0.01) of (Eq.1, Eq.2, and Eq.3), respectively. Also, the natural logarithm of total tangible assets Log(TanAss) haa s positive coefficient on Tobin's Q at levels less than 5% and 10% (0.03, p<0.05 and p<0.10) of (Eq.1, Eq.2 and Eq.3), respectively. The results indicate that the companies with more assets have more resources to have better performance (Alsayegh et al., 2020). In addition, the year dummy of DM2010 has a significant negative coefficient association on ROE at a level less than 1% (-0.03, p<0.01) as of DM2015 but not significant. This shows that the high tax rate industry plays an important role in the poor performance of companies, which needs the role of policymakers to consider. The result leads to a lower cash-free and more payment on the companies' shoulders, which affect negatively the performance achievement. Similar results were found in the Malaysian context in the study conducted by Abdul Wahab et al. (2017). Moreover, the leverage control variable LEVE indicates a negative association coefficient on accounting measured based on company performance (ROE) at 1% (-0.02, p<0.01, and p<0.05), respectively. The results show that paying more debt in the short term has a negative impact on companies' performance. Similar results are found in the Jordanian market (Ramadan, 2015). Meanwhile, its effect on market-based measurement Tobin's Q has a positive association at level 1% (0.06, p<0.01), respectively, and similar results were found in the Jordanian context (Matar & Eneizan, 2018). Finally, the lagged change in return of assets from t to t-1 has indicated a positive significant association with companies' performance with 1% for accounting and market-based measurement (25.2, p<0.01) and (0.02, p<0.01), respectively, which means that in past years good performance, the companies expected to have a better performance next years. Similar results figures were found by (Bradshaw et al., 2019).

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Table. 5: Result of Model (1)

$$\text{Perform}_{i,t} = b_0 + b_1\text{Taxv}_{i,t} + b_2\text{PoL}_{i,t} + b_3\text{AIQ}_{i,t} + b_4\text{Log(Ass)}_{i,t} + b_5\text{DM2010}_{i,t} + b_6\text{DM2015}_{i,t} + b_7\text{Log(TanAss)}_{i,t} + b_8\text{Lever}_{i,t} + b_9\text{ROA}_{i,t-1} + e_{i,t}......\text{Eq.1}$$

	ROE (t-Statistic)	Coefficient_sig	Tobin's Q (t-Statistic)	Coefficient_sig
Taxv	(3.65428)	0.930626***	(3.510999)	0.830875***
PoL	(-4.18361)	-0.814274***	(-3.456409)	-0.203967***
AIQ	(3.92021)	0.000***	(2.784428)	0.800000005***
Log(Ass)	(8.557279)	0.743174***	(1.90506)	0.035676**
DM2010	(-0.128274)	-0.034416***	(-2.54155)	-0.198259**
DM2015	(-1.391643)	-0.378108	(-0.23916)	-0.210862
Log(TanAss)	(1.713206)	0.460477	(5.3288)	0.437879***
LEVE	(-4.198301)	-0.028798**	(10.82548)	0.063969***
(ΔROA $_{i,t-1}$)	(25.39837)	0.44101***	(8.093573)	0.020289***
C	(-7.547204)	-11.37534***	(5.612305)	1.794231***
Obs.	1935		1889	
Adj.R^2	0.384415		0.151073	
F-statistic	135.1921***		38.33164***	
Durbin-Watson stat	1.808689		0.745054	

Note: ***Taxv*** is = cash tax paid in year *t* ÷ the company's current operating cash flow *t*. ***PoL*** is the dummy variable = 1 if the company politically connected and 0 otherwise. ***AIQ*** proxy is $\Delta WC_{i,t} = \gamma_0 + \gamma_1 * CFO_{i,t-1} + \gamma_2 * CFO_{i,t} + \gamma_3 * CFO_{i,t+1} + \gamma_4 * \Delta Sales_{i,t} + \gamma_5 * PPE_{i,t} + \varepsilon_{i,t}$. **Log(Ass)** is the Natural Logarithm of total assets.

DM2010 is *the y*ear dummy = 1 if the year 2010 and 0 otherwise. ***DM2015*** is the year dummy = 1 if the year 2015 and 0 otherwise. ***Log (TanAss)***the is Natural Logarithm of total tangible assets. ***LEVE*** is debt to equity ratio = total liabilities / total shareholders' equity. **(ΔROA $_{i,t-1}$)** is the change in return of assets from *t* to *t-1*. ***ROE*** is net income/shareholders' equity. ***Tobin's Q*** is (Market value of ordinary shares + total book value of long-term debts) / net worth (total assets - total liabilities). *,**,*** Significance at the 10%, 5%, and 1% levels, respectively.

The Effect of Political Interaction on AIQ and Companies' Performance relationship

The regression result of Equation 2 for the moderating effect of political connection on accounting information quality and companies' performance relationship is defined in hypothesis H4 and summarised in Table 6. An adjustment is made to the regression in Equation 1 by inserting (AIQ*PoL) to investigate the political involvement on accounting information quality and companies' performance relationship. Equation 2 has a good fit with R2 (38%) on ROE and (15%) on Tobin's Q, respectively, and the result is quite similar to the studies of (Wang et al., 2019; Malau, 2019b).

Similar results were found in Equation 1 and Equation 2 regarding the direct effect of accounting information quality H1, tax avoidance H2, and political connection H3 on Jordanian listed companies' performance. These fundamental variables are important in affecting the companies' performance in both accounting-based and market-based measurements. The interaction effect of political connection on accounting information quality and companies' performance relationship, the political connection does not change the positive association with companies' performance. The result indicates a positive significant association effect at a level of 1% (0.90, p<0.01) and (0.80, p<0.01) with accounting-based and market-based performance

measurement, respectively. Thus, the result supported the agency theory that good governance mechanisms functions help to mitigate the political agency problem as well as the information asymmetry, thereby improving the companies' performance (Shleifer & Vishny, 1994; Jensen & Meckling, 1976). Thus, the political involvement cannot hide the positive effect of accounting information quality on companies' performance. The result signifies that accounting information quality has a good governance function (Ofoegbu & Odoemelam, 2018; Lang & Lundholm, 1993; Drobetz et al., 2004; Chi, 2009; Hassan Che Haat et al., 2008; Musleh Alsartawi, 2018) that helps the company to solve the bad effect of politics on company performance as a complementary role (Ward et al., 2009). The same results also found by other studies conducted by Ward et al. (2009) and Ali Al-smadi et al. (2014) in Jordanian context. In conclution, when the political interaction has a good governance mechanism such as accounting information quality, the information asymmetry will reduce and produce a positive impact on Jordanian companies' performance.

The findings confirmed Shleifer & Vishny's (1994) discoveries that the division of right control over cash between managers and political actors results in poorer resource allocation and weaker company performance. Additionally, by employing corporate resources and escalating the agency conflict between political stockholders and other stockholders, politicians will expand their oligopolies (Chen et al., 2011). Furthermore, it was noted by Faccio et al. (2006) that political connections result in increased agency costs because of rent-seeking behaviours. Additionally, Chang and Wong (2002) reported that political interference in the company leads to lower governance effectiveness and performance.

Table. 6: Result of Model (2)

$$\text{Perform}_{i,t} = b_0 + b_1\text{Taxv}_{i,t} + b_2\text{PoL}_{i,t} + b_3\text{AIQ}_{i,t} + b_4(\text{PoL}_{i,t} \times \text{AIQ}_{i,t}) + b_5\text{Log(Ass)}_{i,t} + b_6\text{DM2010}_{i,t} + b_7\text{DM2015}_{i,t} + b_8\text{Log(TanAss)}_{i,t} + b_9\text{Lever}_{i,t} + b_{10}\text{ROA}_{i,t-1} + e_{i,t}.....\text{Eq2}$$

	ROE (t-Statistic)	Coefficient_sig	Tobin's Q (t-Statistic)	Coefficient_sig
Taxv	(3.6599)	0.932716***	(3.4110)	0.810875***
PoL	(-4.1909)	-0.8166***	(-3.3943)	-0.2004***
AIQ	(2.9036)	0.000***	(2.7036)	0.0000***
(AIQ*PoL)	(3.2931)	0.900***	(3.4018)	0.800***
Log(Ass)	(8.4961)	0.740896***	(1.9623)	0.0368**
DM2010	(-0.1316)	-0.0353	(-2.5377)	-0.1979**
DM2015	(-1.3865)	-0.3768	(-0.2131)	-0.2009
Log(TanAss)	(1.6912)	0.4556**	(-5.3780)	0.4422***
LEVE	(-4.1971)	-0.0288***	(10.9811)	0.065422***
(ΔROA $_{i,t-1}$)	(25.3939)	0.441064***	(8.1788)	0.02051***
C	(-7.4953)	-11.3383***	(5.6615)	1.810222***
Obs.	1935.0000		1889	
Adj.R²	0.384108		0.152244	
F-statistic	121.616***		34.90552***	
Durbin-Watson stat	1.80802		0.749167	

Note: ***Taxv*** is = cash tax paid in year *t* ÷ the company's current operating cash flow *t*. ***PoL*** is the dummy variable = 1 if the company politically connected and 0 otherwise. ***AIQ*** proxy is $\Delta WC_{i,t} = \gamma_0 + \gamma_1 * CFO_{i,t-1} + \gamma_2 * CFO_{i,t} + \gamma_3 * CFO_{i,t+1} + \gamma_4 * \Delta Sales_{i,t} + \gamma_5 * PPE_{i,t} + \varepsilon_{i,t}$. **Log(Ass)** is the Natural Logarithm of total assets. ***DM2010*** is *the y*ear dummy = 1 if the year 2010 and 0 otherwise. ***DM2015*** is the year dummy = 1 if the year 2015 and 0 otherwise. ***Log (TanAss)*** is the Natural Logarithm of total tangible assets. ***LEVE*** is debt to equity ratio = total liabilities / total shareholders' equity. **(ΔROA $_{i,t-1}$)** is the change in return of assets from *t* to *t-1*. ***ROE*** is net income/shareholders' equity. ***Tobin's Q*** is (Market value of ordinary shares + total book value of long-term debts) / net worth (total assets - total liabilities). (***PoL$_{i,t}$×AIQ$_{i,t}$***) is the interaction between the political connection and accounting information quality. *,**,*** Significance at the 10%, 5%, and 1% levels, respectively.

The Effect of Political Interaction on Tax Avoidance and Companies' Performance Relationship

The regression result of Equation 3 for the moderating effect of political connection on tax avoidance and companies' performance relationship is defined in hypothesis H5 and summarised in Table 7. An adjustment is made to the regression Equation 2 by inserting (Taxv * PoL) to investigate the political involvement on tax avoidance and companies' performance relationship. Equation 3 has a good fit with R2 (38%) on ROE and (15%) on Tobin's Q, respectively. The result is quite similar to the studies of (Wang et al., 2019; Malau, 2019b).

Also, similar results were found in Equations 1, 2, and 3 regarding the direct effect of accounting information quality H1, tax avoidance H2, and political connection H3 on Jordanian listed companies' performance. Regarding the effect of political interaction on tax avoidance and companies' performance relationship, the political interaction changes the positive association of tax avoidance to a negative association with companies' performance. The result indicates a negative significant association effect at a level of 1% and 10% (-102, p<0.10) and

(-1.22, p<0.01) with accounting-based and market-based performance measurements, respectively.

The results indicate that the free cash from tax avoidance in the political hand is not healthy for the Jordanian companies' performance. Saeed et al., (2015) looked at the relationship between political board membership and company performance and discovered that companies with political ties underperform in different measurements (ROA and ROE), respectively. Other investigations can be found through the study in the Malaysia setting conducted by Wong and Hooy (2018), China by Cao et al. (2011), and Jordanian context (Cao et al., 2011) that have produced similar findings (Ali Al-smadi et al., 2014).

Table. 7: Result of Model (3)

$$\text{Perform}_{i,t} = b_0 + b_1 \text{Taxv}_{i,t} + b_2 \text{PoL}_{i,t} + b_3 \text{AIQ}_{i,t} + b_4(\text{PoL}_{i,t} \times \text{AIQ}_{i,t}) + b_5(\text{PoL}_{i,t} \times \text{Taxv}_{i,t}) + b_6 \text{Log(Ass)}_{i,t} + b_7 \text{DM2010}_{i,t} + b_8 \text{DM2015}_{i,t} + b_9 \text{Log(TanAss)}_{i,t} + b_{10}\text{Lever}_{i,t} + b_{11}\text{ROA}_{i,t-1} + e_{i,t} \dots \text{Eq.3}$$

	ROE (t-Statistic)	Coefficient_sig	Tobin's Q (t-Statistic)	Coefficient_sig
Taxv	(3.068934)	1.650891***	(3.310899)	0.860775***
PoL	(-3.547201)	-0.718274***	(-3.500002)	-0.213876***
AIQ	(2.981057)	0.000***	(2.603556)	0.000***
*(Taxv * PoL)*	(-1.727037)	-1.729115*	(-1.826037)	-1.229115***
*(AIQ * PoL)*	(2.293097)	1.200***	(1.666464)	1.330***
Log(Ass)	(8.562176)	0.745186***	(1.871967)	0.035011*
DM2010	(-0.139227)	-0.037282	(-2.500093)	-0.195679**
DM2015	(-1.354347)	-0.367395	(-0.166102)	-0.200425
Log(TanAss)	(1.78993)	0.484795*	(5.200151)	0.434897***
LEVE	(-4.177752)	-0.028704***	(11.03599)	0.065***
(ΔROA $_{i,t-1}$)	(25.13915)	0.437805***	(8.144698)	0.020***
C	(-7.601168)	-11.46331***	(5.588655)	1.784***
Obs.	1935		1889	
Adj.R^2	0.383634		0.154237	
F-statistic	110.4313***		32.30043***	
Durbin-Watson stat	1.809963		0.749229	

Note: Taxv is = cash tax paid in year *t* ÷ the company's current operating cash flow *t*. *PoL* is the dummy variable = 1 if the company is politically connected and 0 otherwise. *AIQ* proxy is $\Delta \text{WC}_{i,t} = \gamma_0 + \gamma_1 * \text{CFO}_{i,t-1} + \gamma_2 * \text{CFO}_{i,t} + \gamma_3 * \text{CFO}_{i,t+1} + \gamma_4 * \Delta\text{Sales}_{i,t} + \gamma_5 * \text{PPE}_{i,t} + \varepsilon_{i,t}$. **Log(Ass)** is Natural Logarithm of total assets.

DM2010 is *the y*ear dummy = 1 if the year 2010 and 0 otherwise. *DM2015* is the year dummy = 1 if the year 2015 and 0 otherwise. *Log (TanAss)* is the Natural Logarithm of total tangible assets. *LEVE* is debt to equity ratio = total liabilities / total shareholders' equity. (*ΔROA $_{i,t-1}$*) is the change in return of assets from *t* to *t-1*. *ROE* is net income/shareholders' equity. *Tobin's Q* is (Market value of ordinary shares + total book value of long-term debts) / net worth (total assets - total liabilities). (*PoL$_{i,t}$×AIQ$_{i,t}$*) is the interaction between the political connection and accounting information quality. (*PoL$_{i,t}$×Taxv$_{i,t}$*) is the interaction between the political connection and tax avoidance. *,**,*** Significance at the 10%, 5%, and 1% levels, respectively.

CONCLUSION

This study examines the direct effect of accounting information quality, tax avoidance and political connection on Jordanian listed companies in Amman Stock Exchange. The study covers all industries except the bank sectors with a total of 22 industries. The study data set

2266 company-years observations, and after the missing data, they become equal to 1909 observations between 2008 to 2018. The study examines the moderating effect of political connections on accounting information quality and companies' performance relationships. The study also investigates the moderating effect of political connections on tax avoidance and companies' performance relationship. The study's finding indicates that accounting information quality positively affects Jordanian companies' performance in accounting-based measure and market-based measure. In addition, tax avoidance has a positive effect on Jordanian companies' performance in both accounting and market measurement. Also, the empirical evidence reveals a significantly negative relationship between the political connection and companies' performance in both accounting and market-based measurements.

Regarding the moderating effect of political connection on accounting information quality and companies' performance relationship, also, the tax avoidance and companies' performance relationship: firstly, the political connection interaction on the accounting information quality and companies' performance relationship does not change the positive association with Jordanian companies performance. This means that good function of governance such as accounting information quality control over the political connection still has a strong positive effect. These results support the agency theory argument that accounting information quality reduces information asymmetry and leads to better resource allocation that helps the company to improve its performance. In addition, the interaction effect of political connection on tax avoidance and companies' performance relationship revealed that political connection changes the significant association from positive to negative. This means that the free cash on political hand is not healthy for improving the company's performance. Thus, the results supported the agency theory that political connection increases the agency cost and affects negatively on companies' performance.

This study has several implications for the market and policymakers as well as investors in the Jordanian market. First, accounting information quality is an important governance mechanism that helps companies to mitigate the agency theory and information asymmetry. Secondly, tax avoidance is a good planning strategy where the market tax rate is high, which helps the companies to have more cash resources. The more cash resources outcomes lead to financing the operating activities at a low cost and improve the companies' performance. In addition, high political interference in companies increases the political empire and control over shareholders and has a negative impact on Jordanian companies' performance. Finally, the governance mechanics such as accounting information quality function plays an important role to control the politics and improve the company's performance. However, tax avoidance

planning and more cash in political hands are not recommended to improve the Jordanian companies' performance.

This study has several limitations, and therefore, future studies are suggested to cover the following aspects in order to produce a more comprehensive analysis. Future researchers can include many countries in the region so that the findings can be generalised. The use of other variables, such as corporate governance mechanisms may drive a better reliable study conclusion. Different proxies of accounting information quality when available will give higher robustness to the results. Moreover, the use of another type of political connection measurement will help to provide better results regarding its effect on companies' performance. Thus, the future research may use other proxies to measure accounting information quality and political connection types. Besides, additional governance variables could be utilised to investigate its effect on companies' performance. By utilising other countries companies samples and more updated data, as well as other methodologies such as Two-Stage least squares (2SLS) and Gaussian mixture models (GMM) techniques, these would help future research to produce better results than the current study.

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