

## ABSTRACT

*Political connections is a common phenomenon that occurs in many countries. The performance of company can not be separated from the influence of the environment. One of the environmental factors that affect the company's performance is politics. The benefit for companies connected has been recognized, but the empirical evidence on the relationship of political connections and the firms performance still inconsistent. The purpose of this study was to analyze the effect of political connections to firms performance and also to analyze the influence of corporate governance as a moderating variable of the relationship between political connection and firms performance*

*The study was conducted on 69 companies listed on Indonesia Stock Exchange (IDX) and included in the rating of Corporate Governance Perception Index (CGPI) provided by The Indonesian Institute of Corporate Governance (IICG) during the observation year 2013-2017. Analysis method which used in this study are classical assumptions test, Moderated Regression Analysis (MRA), coefficient determination test and hypothesis test with the help of SPSS software.*

*This study finds that politically-connected companies have insignificant effect on firms performance. The results also showed that corporate governance as a moderation variable is able to strengthen the relationship between political connections and firms performance. Moreover it found that the value of the adjusted R square is 39%. This means that 61% is explained by other variables outside the model.*

*Keywords: Corporate performance, political connection, corporate governance*