AFRE Accounting and Financial Review, 7(2): 268-279, 2024
https://jurnal.unmer.ac.id/index.php/afr

Nexus Between Corporate Governance, Debt Structure, Earnings Management in Family Firms: Perspective an Agency Theory

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Article info

Keywords:
Agency Theory, Corporate governance, Debt structure, earnings Management, Family ownership,

Abtract

This study aims to analyze the impact of family ownership on earnings management, explain the impact of family ownership on internal governance mechanisms, examine the impact of internal governance mechanisms on earnings management, examine the impact of debt structure on earnings management. This study confirms the Agency Theory in the family ownership chart setting, tested through the use of 6 hypotheses. The research sample uses a purposive sampling method in the Consumer Non-Cyclicals sector, which has been listed on the Indonesia Stock Exchange from 2019 to 2022. Data analysis will be carried out with path analysis. The results of this research have implications for the characteristics of ownership of public companies in Indonesia which are unique. Apart from being concentrated, the majority of shares are owned by the family. Agency problems in this condition shift no longer between the family and the manager because generally the manager is a party who has a kinship relationship, but between families with non-family owners and third parties. The agency problem found in this research is between the family and debtholders and potential stockholders. Agency problems between families and managers and minority owners are not proven in this research because managers are generally also parties who have kinship relationships so managers have aligned interests with the family. The small minority shareholding causes the family to ignore this agency conflict.

ISSN (print): 2598-7763
ISSN (online): 2598-7771

Citation: Mappadang, A., Fitriawati, R., and Sinaga., M., (2024). Nexus Between Corporate Governance, Debt Structure, Earnings Management in Family Firms: Perspective an Agency Theory. AFRE Accounting and Financial Review, 7(2): 268-279

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JEL Classification: D53, G15, G32, L60
DOI: https://doi.org/10.26905/afr.v7i2.12952

1. Introduction

The background of the study explains the problem of corporate governance in Indonesia. Corporate governance in Indonesia has unique characteristics, namely a concentrated ownership structure with controlling shareholders, namely families so that there is almost no separation between ownership and control of the company. This condition is exacerbated by an underdeveloped capital market so that market mechanisms are less effective (Schäuble, 2019; and Demirgüç-Kunt et al., 2020). An alternative to corporate control is the internal mechanism by independent commissioners (Budiman & Krisnawati, 2021; Bakhtiar et al., 2021; Naz, Farheen, Čvirik et al., 2023; El-Chaarani et al., 2023; Ghalke et al., 2023; and Koeswayo et al., 2024) However, family dominance in the management and control of the company through their position as members of the board of directors and commissioners and control of voting rights at the General Meeting of Shareholders (GMS) can cause internal mechanisms to be less effective.

Agency conflicts raised in this study are agency conflicts in earnings presentation because earnings are important information used by certain parties in determining important policies for their companies (Ghalke et al., 2023). This study addresses agency conflicts between family owners and non-family owners, debtholders, and other stakeholders (Zeitun, 2015; Hashim &

Amrah, 2016); Sundkvist & Stenheim, 2023; Duréndez et al., 2019; and Delgado-García et al., 2023).

Corporate governance provides a mechanism to control the agent's behavior so that he does not act to benefit himself more than paying attention to the interests of providers of funds and other stakeholders. Corporate governance mechanisms can be divided into external mechanisms and internal mechanisms (Ghafoor, Zainudin, & Mahdzan, 2019 and Srivastava & Bhatia, 2022).

In recent years the audit committee has become very important in its role to monitor the reliability of financial reporting. Several studies have also proven the role of the audit committee in maintaining financial reporting reliability (Juwita, 2019; Issa & Siam, 2020; and Bananuka & Nkundabanyanga, 2023; and Makhlouf, 2024). In Indonesia, most public companies have a concentrated ownership structure where the controlling company is the family. There is almost no separation between ownership and control of the company. This is as stated by Sacristán-Navarro & Cabeza-García, (2020).

Family owners have incentives through their positions on the board of directors and commissioners and voting rights in the GMS to control management decisions. Therefore, in family ownership, the effectiveness of control mechanisms carried out by commissioners and audit committees is an interesting issue to examine (Al Azeez et al., 2020).

Family ownership is decisive in making debt decisions so violations of obligations often occur. The debt covenant hypothesis states that if the company is indicated to violate accounting-based debt covenants, the greater the tendency for managers to carry out earnings management by choosing accounting procedures to transfer profits to the present (Surya & Fitriany, 2018; and Comino-Jurado et al., 2021).

In the aftermath of the global economic crisis (Schäuble, 2019) and the recovery from the COVID pandemic, company performance has not been encouraging (Tsao et al., 2018; Vadasi & Polyzos, 2023; and Naz et al., 2023)(Tsao et al., 2018). Low corporate growth (2% on average) indicates that the risk of non-fulfillment of debt covenants is high (Thanh et al., 2020). This has the potential to trigger agents to conduct earnings engineering to make their performance look better (González et al., 2013; (Srivastav & Hagendorff, 2016; Duréndez, Madrid-Guijarroet al., 2019; Al Azeez et al., 2020; Comino-Jurado et al., 2021; and Wahab et al., 2022). Therefore, the effect of debt structure on earnings management in public companies in Indonesia is also an interesting issue for research

In connection with the above conditions, this study raises the issue of corporate governance in family companies and earnings management in public companies in Indonesia. The issue is raised to analyze whether family control of the company can increase earnings management, and control mechanisms through audit committees and commissioners can minimize earnings management practices, thereby minimizing agency costs (Avabruth & Padhi, 2023). This study also measures internal governance mechanisms in terms of structure and process, considering that the effectiveness of internal mechanisms depends on these two sides. This study aims to analyze the impact of family ownership on earnings management, explain the impact of family ownership on internal governance mechanisms, examine the impact of internal governance mechanisms on earnings management, examine the impact of debt structure on earnings management

2. Hyphotesis Development

Following POJK.33/POJK.04/2014 article 20 states that public companies are required to have independent commissioners of at least 30% of all members of the board of commissioners. The results of research by Kuncara et al., (2021), Ha et al., (2022) the higher the family ownership, the lower the proportion of independent commissioners. According to Sacristán-Navarro & Cabeza-García, 2020; and Ciftci et al., (2019) the advantages of having independent commissioners are: that the interests of shareholders are protected and create a healthy climate (healthy tension).

H_1: Family Ownership has a positive effect on Independent Commissioners

The formation of an audit committee aims to improve the quality of financial reporting, thereby reducing agency costs (Ali et al., 2018; Alfina et al., 2018; and Ashari & Krismiaji, 2020). The board of commissioners proposes the formation of an audit committee which is elected at the GMS. Several studies have also proven that independent commissioners have an important role in determining the effectiveness of the audit committee (Issa & Siam, 2020). This re-sult is also supported by Hutapea & Ardianto, (2020) and Purkayastha et al. (2019).

H_2: Independent commissioners influence the effectiveness of the audit committee.

The implementation of the Audit Committee Work can limit the opportunistic attitude of the majority of family owners toward audit committee activities (Pratama & Trisni, 2020). The results of the research by Alnasvi & Sastrodiharjo, (2023) on 33 public companies in Indonesia also support the argument that control by family owners affects the effectiveness of the audit committee.

H_3: Family Ownership influence Audit Committee activities.

The Business Roundtable (2000) states that the commissioner's responsibility in addition to determining the members of the audit committee also oversees its effectiveness. Several studies have also proven that independent commissioners have an important role in determining the effectiveness of the audit committee, (Dwiyanti & Astriena, 2018; Alnasvi & Sastrodiharjo, 2023). The results of the study (Setiawati et al., 2022) show that there is a negative relationship between companies whose audit committees consist mostly of independent commissioners and abnormal accruals. The results of these studies explain that the effectiveness of the audit committee function is related to independent commissioners (D'Este & Carabelli, 2022; and (Naz et al., 2023).

H_4: Independent Commissioners have a positive influence on the activities of the Audit Committee.

The results also show that the ownership structure of companies concentrated with "cronyman" has a positive effect on debt structure. Family-concentrated companies have similar characteristics to "cronyman" (Xie et al., 2023) and (Comino-Jurado et al., 2021). The results of this study provide important implications that family-controlled companies tend to dominate, which in turn has the unfortunate effect of greater control over their cash flow rights (Otero-González et al., 2022). Therefore, it is predicted that family ownership influences the debt structure.

H_5: Family ownership has a positive effect on debt structure

The ownership structure of a company determines the type of agency problem that occurs (Comino-Jurado et al., 2021). Agency problems in companies with concentrated ownership structures are different from dispersed ownership structures (Setiawati et al., 2022). Several researchers have proven the amount of control by family owners over non-family owners. This shows the low creditability of family owners which causes earnings management (Matzler et al., 2015; Ramírez-Orellana et al., 2017; Alhebri et al., 2021; and Rahmayanti et al., 2021).

H_6: Family ownership has a positive effect on income management.

3. Data and Methods

This study uses 3 exogenous variables, namely family ownership, independent commissioners, revenue growth, and asset intensity. In addition, it also uses 5 endogenous variables, namely independent commissioners, audit committee expertise and audit committee activities, debt structure, and earnings management.

The operational variable consist of:

$$\boldsymbol{X_1} = \frac{\sum \boldsymbol{Family\ ownership}}{\sum \boldsymbol{Outstanding\ share}}$$

$$Y_1 = \frac{\sum Independent\ commisioner}{\sum Total\ commisioner}$$

$$\boldsymbol{Y_2} = \frac{\sum \boldsymbol{Score\ audit\ commitee}}{\sum \boldsymbol{Total\ audit\ committee}}$$

Y_3 Measured on an interval scale of 1 to 7 with dimensions of relationship with external auditors, access to financial reporting and monitoring compliance with SAK, review of internal control effectiveness, relationship with internal auditors, relationship with commissioners, relationship with directors and the number of audit committee meetings at least 3 times per year. If the sample company's audit committee activities meet all the dimensions measured then it is given a score of 7, if it only meets 6 dimensions it is given a score of 6. If it only meets 5 dimensions it is given a score of 5, if it only meets 4 dimensions it is given a score of 4. Scores of 3, 2 and 1 respectively -respectively to fulfill dimensions 3, and 1.

$$Y_4 = \frac{TD_{it}}{TA_{it}}$$

Where: TD_{it}: Total debt of Company i in period t; TA_{it}: Total assets owned by Company i in period t

$X_2 = Ln\, Total\, Assets$

$$X_3 = \frac{Revenue_t - Revenue_{t-1}}{Revenue_{t-1}}$$

$$X_4 = \frac{Non - current\ assets}{Total\ assets}$$

Earnings management uses modified jones. Total accruals are calculated using this formula:

$TAcc_{it} = NI_{it} - CFO_{it}$

Where: $TACC_{it}$ = Total Accruals of company i in year t; NI_{it} = Net income of company i in year t; CFO_{it} = Cash Flow Operation of company i in year t.

From the equation above, a normal total accrual equation is created as follows:

$$\frac{TAcc_{it}}{A_{it-1}} = a_0 + a_1\left(\frac{1}{A_{it-1}}\right) + a_2\left(\frac{\Delta REV_{it}}{A_{it-1}} - \frac{\Delta REC_{it}}{A_{it-1}}\right) + a_3\left(\frac{PPE_{it}}{A_{it-1}}\right) + \varepsilon_{it}$$

Where: TA_{ccit}= Total Accruals of company I in year t; $\mathbf{A_{IT}}$**=** Total assets of company i in year t; ΔREV_{it}= Revenue changes of company i in year t; ΔREC_{it}= Net receivables changes of company i in year t; PPE_{it}= Property, Plant, and Equipment of company I in year t; al,a2,a3 = Research variables parameters; ε_{it} = Error term of company i in year t

The discretionary accrual value is the residual value (error term) from the total regression accruals above. Revenue growth and asset intensity as control variables in this study. This type of research is secondary research where data sources are taken from TICMI as the data center of the Indonesia Stock Exchange.

The population in this study are Consumer Non Cyclicals companies listed on the Indonesia Stock Exchange (IDX) which publish financial reports and Annual Reports for the 2019 to 2022 fiscal years. The population in this study uses Non-Cyclical Consumer companies because this sector has more accrual elements compared to other types of industries.

The sample was selected by purposive sampling to obtain a representative sample by the specified criteria, namely: a) a) The company publishes audited financial statements as of December 31, 2019-2022. b) The financial statements contain data on the accrual component. c) The company provides an annual report and contains data on Independent commissioner, independent audit committee, Audit committee expertise, and Audit committee activity. The data analysis method used in this research is path analysis and data processing using SEM (Hair et al, 2011).

4. Result

The research sample is obtained from Consumer Non Cyclicals companies listed on the IDX and publishes audited financial reports for 2019, 2020, 2021, 2022, and present annual reports. The annual report presents data on independent commissioners, independent audit committees, audit committee expertise, and audit committee activity and is a family company. Based on these criteria, 65 companies were selected that qualified as samples.

Table 1. Family Ownership Distribution

Ownership family(%)	Frequency	%
0.00 – 25.00	6	9.20
25.01 – 50.00	10	15.40
50.01 – 75.00	32	49.20
75.01 – 100.00	17	26.20
Total	65	100.00

Source: Ticmi, 2022

A total of 65 companies that qualify as samples have the proportion of family ownership as shown in table 1. The majority of the sample companies' ownership is in the 50.01-75.00% range, followed by 75.01-100.00%, then 25.01-50.00%, and the smallest 0.00-25.00%. According to OJK regulation in POJK 9/2021, what is meant by controlling shareholders are parties who own shares or equity securities of at least 25% and have the ability, either directly or indirectly, to control the company. Looking at the percentage of family ownership in table 2. It can be said that the ownership of the sample companies is concentrated quite high in the family.

Table 2. Cross tabulation Independent Commissioner

Family ownership.		Very Low	Low	Middle	High	Very High	Total
	Low	0	2	3	1	0	6
	Middle	0	5	0	4	1	10
	High	2	22	5	3	0	32
	Very high	0	12	2	3	3	17
	Total	2	41	10	11	4	65

From the cross-tabulation (table 3), it can be seen that there is a dominance of the category of independent commissioners lacking in high family ownership, wherein in the high family ownership category. It can be seen that the Independent Commissioner is lower in family firms than other owners. From the cross-ta-bulation in Table 3, it can be seen that the audit committee expertise category is less dominant in the category of independent commissioners.

Table 3. Cross tabulation Audit Committee expertise

		Very Low	Low	Middle	High	Very High	Total
Indpendent Commisioner	Very low	0	1	1	0	0	2
	Low	1	16	14	6	4	41
	Middle	0	0	7	3	0	10
	High	0	2	7	2	0	11
	Very high	0	0	1	0	0	1
	Total	1	19	30	11	4	65

Table 4. Cross tabulation Audit Committee Activity

		Very Low	Low	Middle	high	Very high	Total
Family ownership	Low	1	2	0	0	3	6
	Middle	0	3	2	0	6	11
	High	6	12	0	1	12	31
	Very High	1	7	0	0	9	17
	Total	8	24	2	1	30	65

Table 5. Cross tabulation Independent Commissioner

		Very ow	Low	Middle	High	Very High	Total
Independent Commissioner	Low	3	7	2	23	0	35
	Middle	0	5	4	0	0	9
	High	6	2	5	0	0	13
	Very high	1	0	6	0	1	8
	Total	10	14	17	23	1	65

Table 6. Cross tabulation Debt Structure

		Very low	Low	Middle	High	Total
Family Ownership	Low	0	0	0	6	6
	Middle	0	4	0	6	10
	High	9	8	4	15	36
	Very high	1	1	2	9	13
	Total	10	13	6	36	65

From the cross-tabulation in table 4, it can be seen that there is a very high dominance of audit committee activity in high family ownership, whereas, in very high family ownership, one company has an audit committee with very little activity. From the cross-tabulation (table 5), it can be seen that there is a very high dominance of the audit committee activity group in the less independent commissioner group, wherein the sample belonging to the less independent commissioner group, 3 companies have audit committees with very few activities. From the crosstabulation (table 6), it can be seen that a very low debt structure is dominant in a very high family ownership group, where in a very high family ownership structure, 9 companies have a very low debt structure, 8 companies have a low debt structure, no company has a medium debt structure, no company has a high debt structure and no company has a very high debt structure.

From the cross-tabulation (table 7), it can be seen that low earnings management is dominant in high family ownership, where in high family ownership, 6 companies carry out very low ear-nings management, 20 companies carry out low earnings management, 5 companies carry out moderate earnings management, there are no companies that carry out very high earnings management.

Table 7. Cross tabulation Earnings Management

		Very Low	Low	Middle	High	Very High
Family Ownnership	Very low	0	2	0	0	0
	Low	6	8	4	3	0
	Sedang	0	0	1	8	0
	High	6	20	5	0	0
	Very High	0	0	0	1	1
	Total	12	30	10	12	1

Table 8. Descriptive Statistic

	Minimum	Maximum	Mean	Std. Deviation
Family Ownership	4.00	92.81	60.331	21.02370
Independent Commissioner	25	60	3722	0.737
Debt Structure	10	2.34	6128	43233
Company Size	21.49	39.33	28.089	3.231
Revenue Growth	01	09	0222	0.160
Asset Intensity	12	94	5103	22444
Comm Audit Audit Expertize	2.67	4.00	3.321	29509
Comm Audit Activity	3.00	7.00	6.215	1.111
Earning Management	19	1.37	5989	16448

In Table 8, the average family ownership is 60.33% and there are even sample companies with family ownership of up to 92.81%. The standard deviation of 21.02% shows that there is a high variation in the family ownership of the sample companies (standard deviation of 34. 84% from the mean, greater than 20.00% from the mean), illustrating that there is a fairly high variance between companies with low family ownership and companies with high family ownership.

Normality test in this study by looking at univariate normality and multivariate normality. If the data has multivariate normality then the data also has univariate normality. To test whether or not the normality assumption is violated, the z-statistic value for skewness and kurtosis is used and the data meets the assumption of univariate normality. The assumption of multivariate normality is much more important than univariate normality, which indicates that the data is normal simultaneously. All p-values are above 0.05 so it can be concluded that the data meets the assumptions of multivariate normality.

The correlation matrix shows that the research model with the independent variables of family ownership, independent commissioners, company size, asset intensity, company growth, independent commissioners and audit committee, audit committee expertise, audit committee activity, and debt structure correlates with less than 0.8. Because between the independent variables, the correlation is less than 0.8, this means that there is no significant relationship between the independent variables, so it can be concluded that the model is free from multicollinearity problems.

Table 9. Goodness-of-fit test

Goodness-of-fit yang diukur	Fit of life accepted	Result	Notes
Absolute Fit Measure	Significant		
Likelihood ratio chi-square	higher value	X_2 = 16.37 Significance level: 0.00	Accepted
Goodness-of-fit index (GFI)	is better	0.74	Accepted
Expected cross-validation index (ECVI)	ECVI<ECVI for independence model	2.63<4.46	Accepted
Incremental Fit Measure			
Root Mean Square Residual (RMR)	higher value is better	0.66	Accepted
Parsimonious Fit Measure			
Akaike Information Criterion (AIC)	Model AIC<Independence AIC	267.47<296.04	Accepted

According to the goodness-of-fit test results in table 9 which include absolute fit, incremental fit, and parsimonious fit. Of the 3 criteria tested, namely absolute fit, incremental fit, and parsimonious fit, it was found that there were 5 criteria tested that were accepted. The five goodness-of-fit criteria measured have been represented respectively as follows: for absolute fit criteria, Likelihood ratio chi-square, Goodness-of-fit index (GFI), and Expected cross-validation index (ECVI) which indicates that the model is statistically feasible in both measurement and equation structure and can be used to predict.

5. Discussion

The results of the study indicate that family ownership does not have a negative effect on independent commissioners. Family ownership does not affect the proportion of independent commissioners because: First, OJK provisions in POJK 33/POJK.04/2014 regarding independent commissioners that must be obeyed by all public companies can limit the opportunistic family owners in determining the proportion of independent commissioners, which is at least 30% of all members of the board of commi-ssioners. Second, even though independent commissioners have complied with OJK regulations, their role may be less than optimal. Independent commissioners are not elected by minority owners, but by the GMS where family owners dominate GMS decisions because of their high voting rights. Public companies in Indonesia are mostly controlled by families, so members of the board of commissioners and directors are generally also parties who have family relationships. Therefore, even though the proportion of commissioners has complied with Bapepam regulations, their role may be less than optimal, due to the dominance of family owners' voting rights both in the GMS and their position as commissioners and directors. This research is also by research by Mohammad & Wasiuzzaman (2020) and does not support the results of Sacristán., et.al (2020)

The results of the study indicate that independent commissioners have an effect on audit committee membership. The higher the independent commissioner, the higher the audit committee membership. Therefore, independent commissioners choose an audit committee that has adequate competence in financial accounting. This is also by Dewi & Eriandani (2022) that an audit committee that has high expertise is perceived as having a positive influence on the effectiveness of the audit committee in carrying out its duties.

The results of the study indicate that family ownership does not have a significant effect on audit committee activity. The high level of audit committee activity in this study is not influenced by high family ownership. This study failed to prove the opportunistic attitude of family owners in minimizing audit committee activity. This can be explained by several reasons as follows: first, the duties of the audit committee. The audit committee's expertise in accounting and/or finance possessed by the audit committee is positively related to the quality of financial reporting.

Therefore, audit committee expertise is predicted to minimize earnings management. Companies that have audit committees with high expertise can increase investor confidence in the company's financial reports. Second, the competence of the audit committee will not interfere with the interests of family owners. These results do not support research from Alnasvi & Sastrodiharjo (2023) and support the research from Sacristán-Navarro & Cabeza-García (2020)

The results of the study indicate that independent commissioners have a positive effect on audit committee activities. The higher the independent commissioner, the higher the audit committee activity. The results of this research are that the board of commissioners is responsible for evaluating the effectiveness of the audit committee, in this case, the board of commissioners will consider the audit committee's compliance with capital market requirements. This result support to Dwiyanti & Astriena (2018).

The results of the study show that family ownership has a positive effect on debt structure. The high debt structure provided by banks to public companies is not influenced by family ownership, which can be explained as follows: banks can provide credit with a guarantee of the owner's personal time deposit which is not included in the company's balance sheet (back-to-back loan). This gives the bank interest consequences that are lower than the assets guaranteed (hillier et al., 2018). So if owners have sufficient savings to guarantee credit, they prefer to pledge their funds. The ownership structure is the basis for users to identify which party has dominant power and how that party controls the organization.in family ownership, as found in public companies in Indonesia, control of the company is centered on the family. The characteristics of public company ownership in Indonesia are unique because family selection is very high (average 60.33%). According to OJK regulation no. Ix.h.1. Ownership above 25% can control the company. So it can be said that public companies in Indonesia are controlled by families so they are called family companies. Apart from the ownership structure being concentrated in the family, public companies in Indonesia are also mostly funded by debt. Apart from that, this research also examines the occurrence of agency conflicts between family owners creditors, and other third parties. Differences in interests between the agent and the principal can give rise to agency problems. This result support to Xie et al., (2023) and D'este & carabelli, 2022).

The results of the study show that family ownership has a positive effect on earnings management. This shows that the higher the family ownership, the higher the earnings management. Family owners have quite a large share of voting rights and cash flow rights. The large voting rights and cash flow rights owned by family owners provide opportunities for family owners to put their interests first by ignoring the interests of minority shareholders and other stakeholders in financial reporting (Naz et al., 2023) ex-appropriation carried out by family owners is becoming increasingly stronger because family owners or parties who have kinship relations with them also generally hold positions as members of directors and commissioners (Leotta et al., 123 c.e.).

Profit management that occurs is by increasing income. This can be concluded that there is no agency problem between the family owner and management because management is part of the family owner or a party that has a kinship relationship with the family owner (Purkayastha et al., 2019). With increasing income, management generally gets a bonus from increased profits (Ramírez-Orellana et al., (2017).

The agency problem that occurs is between family owners and potential investors. In conditions of a prolonged financial crisis, companies experienced low revenue growth (an average of 2%). To gain the trust of potential investors, the company will try to display better profits by increasing income. Based on the human characteristic of always wanting to avoid risk, agents will try to maximize their utility even though they ignore the interests of the principal (Delgado-García et al., 2023). The occurrence of agency problems in this research will be proven by the occurrence of profit engineering because profit is important information that will have an impact on the decisions of various parties towards the company. Agents who carry out activities related to the company can find out about significant events that occur (Jensen & Meckling, 1976). Based on the nature of agents who always want to maximize their utility, this provides an opportunity for agents to delay profits so that the current period's profits are small (decreasing income) or delay profits so that the current period can increase profits for the current period (increasing income) (Missonir-Piera, 2015). This research supports research results from Alhebri et al. (2021), and Ramírez-orellana et al., 2017) where low credibility of family ownership causes earnings management to occur.

6. Conclusion and Suggestion

Conclusion

This research aims to examine the influence of corporate governance on family pressure on earnings management. This research aims to obtain empirical evidence that internal governance mechanisms can reduce agency costs between family owners and family owners in public companies in Indonesia. The results of this research have implications for the characteristics of ownership of public companies in Indonesia which are unique. Apart from being concentrated, the majority of shares are owned by the family. Agency problems in this condition shift no longer between the family and the manager because generally the manager is a party who has a kinship relationship, but between families with non-family owners and third parties. The agency problem found in this research is between the family and debtholders and potential stockholders. Agency problems between families and managers and minority owners are not proven in this research. The small minority shareholding causes the family to ignore this agency conflict.

Suggestions

Regulators in the capital market need to re-regulate family ownership and the family's position in the positions of commissioners and directors. The government needs to improve regulations and the legal system regarding the protection of shareholder rights because family ownership is mainly caused by low government protection of shareholder rights. Shareholders will take over government functions if they assume that the government's protection of them is weak. There is a tendency for concentration of family ownership in developing countries because the state does not provide adequate protection to shareholders.

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