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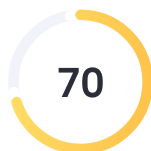
words

327

sentences

17 min 34 secreading
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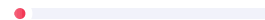
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16

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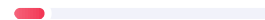
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Wrong or missing prepositions



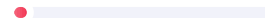
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Confused words



2

Incorrect noun number



4

Comma misuse within clauses



56

Clarity

5

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27

Passive voice misuse



12

Intricate text



12

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1

Delivery

1

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unique words

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characters per word

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Measures average sentence length

words per sentence

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Rahmat Setiawan: The role of board independence ...¹

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9

The Role of Board Independence in the Effect of Family Ownership on Capital Structure in Family Companies in Indonesia

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ABSTRACT

The purpose of this research is to analyze the effect of family ownership and capital structure with board independence as a moderation variable in family companies in Indonesia³ period 2012-2016. Based on the analysis result, it can be concluded⁴ that family ownership has a significant negative effect on capital structure. Board independence weakens the negative effect⁵ of family ownership on capital structure. Also, besides family ownership, firm size, profitability, and tangible assets can influence the family company's capital structure⁶

ABSTRAK

Penelitian ini bertujuan untuk menganalisis pengaruh kepemilikan keluarga terhadap struktur modal dengan dimoderasi oleh variabel board independence pada perusahaan keluarga di Indonesia tahun 2012 sampai 2016. Berdasarkan hasil analisis menunjukkan bahwa kepemilikan keluarga memiliki pengaruh negatif signifikan terhadap struktur modal. Board independence memperlemah pengaruh negatif kepemilikan keluarga terhadap struktur modal. Selain itu,

selain kepemilikan keluarga, ukuran perusahaan, profitabilitas, dan aset berwujud dapat memengaruhi struktur modal perusahaan keluarga

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1. INTRODUCTION

One form of business that is very common in many countries is family business. Historically and sociologically, companies in Indonesia are family owned and controlled companies, although family companies have become public companies, the control of the company is still held by the family. In Indonesia, the number of majority shares owned by the founder or founding family is very diverse, ranging from 4.48% to 96.64% (Wijayanti, 2014). Family companies in Indonesia, in general, are active family companies because the family is not only the majority shareholder but also serves as the company's board of directors.

Family companies in Indonesia contribute around 40% of market capitalization and have a considerable effect in ⁷key industries such as consumer goods, property, and agriculture. Research by the Boston Consulting Group shows that Indonesian family businesses that can survive in the first generation are only around 30% ⁸and ⁹around 9% can be passed on to the third generation. ¹⁰This can indicate that many family ¹¹business in Indonesia ¹²are still in a growth phase and that prospects in family businesses have significant uncertainties so that making decisions taken by family companies in Indonesia so that companies can continue to survive is interesting to study.

The fact ¹³show the governance of family companies in Indonesia that the majority of companies have a majority shareholder owned by the family and

managed by a founding family member. About 67% of companies registered in Indonesia ¹⁴ are controlled by families (Claessens et al., 1999). Faccio et al. (2001) found that compared to Western European companies, dividend payments in East Asian companies were lower, indicating that companies in countries with less strict regulations of shareholder protection were more likely to show expropriation by majority shareholders.

Constraints in achieving company goals ¹⁵ are triggered by differences in interests between majority and minority shareholders ¹⁶ which will eventually lead to agency problems and have an impact on the company's performance that is not ¹⁷ optimal as explained by the type II of agency theory. The ¹⁸ problem of concern that arises in family businesses is the type II of agency problem where there is a conflict between the majority shareholders (family) and minority shareholders (non-family). Family shareholders will try to maximize the value of the company and prioritize their personal interests rather than the interests of minority shareholders, as well as minimize the risks faced by the company, so that the company can be passed on to the next generation, while non-family shareholders have the need to obtain dividends or capital gains so will lead to prosperity and wealth of minority shareholders. ¹⁹ Also, previous research shows when cash flow rights ²⁰ is lower than their family control, ²¹ family shareholders have a strong incentive to expropriate the wealth of minority shareholders, especially (Faccio et al., 2001a).

The board ²² independence in a family company plays ²³ an important role in reducing agency problems between family and non-family shareholders. ²⁴ This is because, according to UUPT, board independent has the aim to encourage the creation of a more objective climate and to place equality (justice) among various interests ²⁵ including corporate interests and the interests of stakeholders. Effectiveness in monitoring managers will increases when there

is an independent board in the company ²⁶and an independent board will exercise control on behalf of the shareholders (Fama and Jensen, 1983; Weisbach, 1988; Gunasekarage and Reed, 2008). In governance in family companies, an independent board can influence the board to choose a higher dividend payment policy ²⁷and/or to adopt a higher level of debt so that better corporate governance. (Atmaja, 2010).

Several previous studies have found different results ²⁸with respect to the effect of family ownership on capital structure decisions. Schmid (2013) ²⁹in his study ³⁰of companies in ³¹Germany found family ownership ³²had a negative impact on capital structure. Margaritis and Psillaki (2010) ³³in their study of French companies ³⁴found family ownership ^{35 36}had a negative impact on capital structure. Atmaja (2010), in his research in Australia, found that family ownership has a positive effect on capital structure.

Research Objective

Based on the results of the above phenomena and problem formulation, the purpose of this research is to develop the previous research ³⁷and to test as well as to examine the role of board independence in the effect of family ownership on capital structure in ³⁸family business in Indonesia. ³⁹

2. THEORETICAL FRAMEWORK AND HYPOTHESES

Definition of Capital Structure

The capital structure reflects the use of long-term debt to fund its assets. Sudana (2011: 143), states that capital structure is a comparison of long-term debt with equity. The capital structure is related to the long-term ⁴⁰funding decisions to be taken by the company. Margaretha (2014: 305), states that the capital structure is a permanent financing company that consists of long-term

debt and equity capital. According to Sjahrial (2014: 250), defining capital structure is a balance between the ⁴¹used of loan capital consisting of short-term ⁴²debt that is permanent, long-term debt, and own ⁴³capital consisting of preferred shares and common shares.

Definition of Family Ownership

Family ownership is total shares held by family compared to total outstanding shares. Anderson and Reeb (2003a), Faccio and Lang (2002), La Porta et al. (1999) defines family ownership as part of the shares owned by the family in a company. Pukthuanthong et al. (2012) define family ownership as a portion of shares ⁴⁴owned by a founder or founding family in a company.

From some of the notions that have ⁴⁵been put forward, it can be ⁴⁶concluded that family ownership is ⁴⁷proportion of shares held by family members in the company both individually and through family institutions of the total outstanding shares. Family relationships ⁴⁸are identified by tracking the founder's family share ownership directly or indirectly by being identified with the same clan name or last name as the company founder.

Definition of Board Independence

A board of commissioners is a group of people chosen or appointed to oversee the activities of a company or organization. The board of commissioners plays ⁴⁹a very important role in the company. According to Egon Zehnder, the Board of Commissioners ⁵⁰has the duty to ensure the practice of the company's strategy, oversee management in managing the company, and requires the ⁵¹practice of accountability. Thus, the board of commissioners is a supervisory mechanism and a mechanism to provide direction to company management. In carrying out its responsibilities to improve the efficiency and competitiveness of the

company, management is overseen by the board of commissioners so as not to act in accordance with ⁵²personal interests.⁵³ (Egon Zehnder International, 2000 p.12-13).

Effect of Family Ownership on Capital Structure

Family companies have large and concentrated shareholder characteristics, so family businesses can have agency problems between majority shareholders and minority shareholders because of the direct monitoring and control of the founding family is very large ⁵⁴(Mulyani, Singh, and Mishra 2016), and there are often differences in interests between family shareholders and the interests of ⁵⁵other shareholders (Yoshikawa and Rasheed, 2010).⁵⁶

Jensen (1986) shows that ⁵⁷strong and non-diversified ownership can result in more free cash flow available in the family company, which ⁵⁸results in the company being more dependent on the company's internal funding. Shleifer and Vishny (1986) note that family firms seek ⁵⁹low risk capital, implying a greater dependence on retained earnings than on debt in their capital structure. Faccio et al. (2001) show that family firms have lower debt levels that are used to reduce fixed commitments in the form of interest in their cash flows.

Family shareholders are unique shareholders because they have a portfolio that is concentrated in their own company and does not carry out a diversification strategy. Therefore, family shareholders are more risk-averse and more consider ⁶⁰on the company's total risk (Agrawal and Nagarajan, 1990). Because family shareholders have a concentrated portfolio, family shareholders will face ⁶¹high risk exposure in their portfolios, ^{62,63}therefore family shareholders have an incentive to reduce the risk of the company. The use of ⁶⁴large debt will increase the risk of bankruptcy faced by the company because

⁶⁵debt has a fixed cost of interest, and ⁶⁶debt has a relatively long bond, so it has a high enough risk. Therefore, families will use more internal funding sources that have low risks ⁶⁷such as retained earnings to fund company assets. So the hypothesis in this study is:

H1: Family ownership ⁶⁸has a negative effect on capital structure.

The role of board independence on the influence of family ownership and capital structure

⁶⁹The board independence plays an important role in reducing agency problems between the majority shareholders (family) and minority shareholders, because the board can monitor managers more effectively and can control the board in accordance with the interests of all shareholders (Fama and Jensen, 1983; Weisbach, 1988; Gunasekarage and Reed, 2008). ⁷⁰Board independence has a role in the effect of family ownership on capital structure. Atmaja (2010) states that the existence of board independence in family-controlled companies has a ⁷¹positive effect on dividend policy and capital structure because it reduces agency conflicts between majority shareholders and minority shareholders.

H2: The existence of board independence weakens the negative influence of family ownership on capital structure

Framework

Based on the results of the explanation of the relationship between variables that have ⁷²been stated, it can ⁷³be made a framework of the effect of family ownership on capital structure with moderation factor board independence in ⁷⁴family business in Indonesia. The ⁷⁵framework ⁷⁶is shown in Figure 1.

3. RESEARCH METHOD

The population consists of family business⁷⁷ listed in Indonesia⁷⁸ Stock Exchange. The data is obtained⁷⁹ from the Indonesian Capital Market Directory (ICMD), financial statements, and annual report. The observation period is from 2012 to 2016. The method used for sampling technique is purposive sampling that is the sample selection technique by using the specified criteria. A six-year study period is chosen⁸⁰ because it describes the relatively new condition in family⁸¹ business in Indonesia, so⁸², it is expected⁸³ that the result of this research will be more relevant to understand the actual conditions⁸⁴ in Indonesia.

The companies that become the samples are companies chosen based on purposive⁸⁵ sampling method to attain representative samples in accordance⁸⁶ with⁸⁶ the specified criteria. The sample criteria that will be used⁸⁷ are as follows:

Companies listed on the Indonesia Stock Exchange

The company published annual financial statements that end on December 31 in 2012-2016

The financial statements are presented⁸⁸ in rupiah

The company is a non-financial company

The company is a family company.

Moderating Variable

Board Independence

Independent Variable

Family Ownership

Dependent Variable

Capital Structure

Control Variable

ROA

Size

Figure 1

Research Framework

Research Data

Type of the data is secondary data, a data⁸⁹ derived from the annual and financial report for the period of 2012-2016. This study uses a quantitative approach by conducting hypothesis⁹⁰ test. The sources of data are collected⁹¹ from Indonesian⁹² Capital Market Directory (ICMD), financial statements and⁹³ annual⁹⁴ report obtained from the official website of Indonesia⁹⁵ Stock Exchange, www.idx.co.id. The data are collected, selected, and taken as the samples and processed in the study.

Research Variables

The dependent variable in this study is the capital structure measured by the book value debt ratio and the market value debt ratio, and the independent

variable in this study is family ownership. This study used moderating ⁹⁶ variable namely ⁹⁷ board independence.

Operational Definition and Variable Measurement

Measurement of capital structure

The capital structure is measured ⁹⁸ by two measurements, ⁹⁹ namely the book value of debt ratio and the market value debt ratio with the following formula:

MVDRit =

The book value debt ratio measures the proportion of funds sourced from long-term debt to finance company assets. This ratio is past-oriented because the data used to measure this ratio is historical data derived from the company's financial statements. The greater ¹⁰⁰ this ratio will show the portion of the use of long-term debt in financing investment in assets is greater, ¹⁰¹ while the market value of the debt ratio measures the value ¹⁰² of debt to the market value of the company. This ratio is future-oriented because it uses a market value in its measurement. The greater this ratio shows that the higher the value ¹⁰³ of debt to the market value of the company.

Measurement of family ownership

Family ownership is total shares held by family compared to total outstanding shares. Family ownership in this study was measured by:

The greater ¹⁰⁴ this ratio reflects the ¹⁰⁵ greater ¹⁰⁶ the family control in the company and also the higher the family participation in company management.

Measurement of board independence

The board independence in this study is measured through the proportion of independent commissioners in management to the number of boards, as measured by:

The ¹⁰⁷greater this ratio reflects ¹⁰⁸that the ¹⁰⁹greater the oversight of board independence in the company.

Table 1

Descriptive Statistic

Variabel

Mean

Min

Max

SD

Book Debt

.2041

.0022

.5961

.1297

Market Debt

.2772

.0030

.9527

.2494

Kepemilikan keluarga

.5831

.0729

.9720

.1778

Board Independence

.3898

.0000

.8571

.1142

Famown*Board Independence

.2300

.0000

.5529

.0976

Size

12.6985

11.1617

13.705

.4805

Tangible

.2780

.0002

.9064

.2031

ROA

.0723

-.4363

.3340

.0888

Source: SPSS Output Data

4. DATA ANALYSIS AND DISCUSSION

DESCRIPTIVE STATISTICS

The descriptive statistic of this study illustrates ¹¹⁰minimum, ¹¹¹maximum and mean value of the variables used in family companies listed on the Indonesia Stock Exchange in 2012 to 2016 ¹¹²are shown in Table 1.

The dependent variable in this study is the capital structure, the independent variable in this study is family ownership, the control variable in this study ¹¹³are ¹¹⁴size of the company, profitability, and tangible assets, and the moderating variable in this study is the board independence.

Table 1 shows that the capital structure as measured by the book value debt ratio and the market value debt ratio of family companies in Indonesia in the period 2012 to 2016 showed an average of 0.2041 and 0.2772. The lowest values for these variables are 0.0022 and 0.0030, while the highest values are 0.596 and 0.9527. This figure shows that companies use more funding than debt to fund their assets.

The family ownership variable shows an average of 0.5831. The lowest value for the family ownership variable is 0.0729, while the maximum value for the family ownership variable is 0.9720. This figure shows that the majority shareholders of non-financial companies in Indonesia during the observation period were shareholders who came from families.

The board independence variable shows an average of 0.3898. The lowest value for the variable is 0.0000, while the maximum value for the variable family ownership is 0.8571. This figure shows ¹¹⁵that

all companies have board independence because they are under regulations set by Otoritas Jasa Keuangan in Indonesia.

Classical Assumption Test

The following ¹¹⁶classical test assumptions are performed to determine whether there are problems with the regression model.

Normality Test

Based on the normality test in Figures 2 and 3, the first model looks at the effect of family ownership, company size, tangible assets, and profitability on book value debt ratios with moderating board independence, the second model looks at the influence of family ownership, company size, tangible assets, and profitability on market value debt ratio with moderated independence board shows that residual data patterns that spread around the diagonal line and follow the direction of the line, then the regression model used in this study meets the normal assumptions.

Multiollinearity Test

Multicollinearity test use to analyze whether in the model of regression there is a relationship between independent variables. The tool used to conduct mulcollinearity test is Variance Inflation Factor (VIF). If the VIF value is < 10 or 0.1 , this means that multicollinearity does not occur. However, if the VIF value is > 10 , the data variable experiences multicollinearity (Ghozali, 2016b: 103). Multicollinearity test results can be seen on Table 2.

Table 2

Multicollinearity Test

Independent Variable

Tolerance

VIF

Explanation

FAMOWN

0,158

1,077

No Multicollinearity

BOARD_INDEP

0,232

4,314

No Multicollinearity

FAMOWN*BOARD_INDEP

0,098

10,219

Multicollinearity

SIZE

0,901

1,110

No Multicollinearity

TANGI

0,940

1,063

No Multicollinearity

ROA

0,928

1,077

No Multicollinearity

Based on Table 2, the results of testing in both models of this study indicate that tolerance values > 0.10 and VIF < 10 except the interaction variables between family ownership and board independence, it can be concluded that there is no multicollinearity between the independent variables in the regression model.

AUTOCORRELATION TEST

AUTOCORRELATION TEST SERVES TO TEST WHETHER THERE IS A RELATIONSHIP BETWEEN CONFOUNDING ERRORS IN THE PERIOD OF THIS STUDY AND THOSE IN PREVIOUS STUDIES. THE TOOL USED IN THIS TEST IS DURBIN WATSON. THE RESULTS ¹³¹ARE PRESENTED IN TABLE 3.

TABLE 3

AUTOCORRELATION TEST

Model

R

R Square

Adjusted R Square

Durbin-Watson

1

0,714

0,510

0,489

0,922

BASED ON THE SPSS OUTPUT IN THE TABLE ABOVE, THE D-W VALUE IS ¹³²OBTAINED WHEN THERE IS NO AUTOCORRELATION. ACCORDING TO SARWONO (2013: 9), THE REGRESSION TEST DID NOT EXPERIENCE AUTOCORRELATION IF THE D-W VALUE WAS BETWEEN -2 TO +2. BASED ON THE RESULTS OF THE AUTOCORRELATION TEST IT CAN ¹³³BE CONCLUDED THAT IN THIS RESEARCH MODEL THERE IS NO AUTOCORRELATION.

RESULTS OF ANALYSIS AND DISCUSSION

BASED ON TABLE 4, THE RESULTS OF THE REGRESSION MODEL ANALYSIS SHOW THAT FAMILY OWNERSHIP HAS A SIGNIFICANT NEGATIVE EFFECT ON THE TWO MEASUREMENTS OF CAPITAL STRUCTURE, NAMELY THE BOOK AND MARKET VALUE DEBT RATIO. ¹³⁴THIS MEANS THAT THE HIGHER THE FAMILY OWNERSHIP, THE LOWER THE USE OF DEBT IN FUNDING COMPANY ASSETS. ¹³⁵THIS IS BECAUSE FAMILY OWNERSHIP REFLECTS THE LEVEL OF FAMILY CONTROL OVER THE COMPANY, AND FAMILY SHAREHOLDERS ARE GENERALLY LESS DIVERSIFIED SHAREHOLDERS, SO THE RISKS FACED BY FAMILY SHAREHOLDERS ARE QUITE LARGE. THEREFORE, TO REDUCE THE RISK FACED BY THE COMPANY, FAMILY OWNERSHIP TENDS TO REDUCE FUNDING BY USING ¹³⁶DEBT BECAUSE IT HAS A HIGH RISK AND INCREASES THE RISK OF BANKRUPTCY THAT THE FAMILY SHAREHOLDERS WANT TO AVOID. THESE RESULTS ARE CONSISTENT WITH SCHMID (2013) ¹³⁷WHICH SHOWS THAT FAMILY OWNERSHIP NEGATIVELY INFLUENCES CAPITAL STRUCTURE.

TABLE 4

RESULTS OF ANALYSIS OF THE EFFECT OF FAMILY OWNERSHIP ON CAPITAL STRUCTURE WITH THE BOARD OF INDEPENDENCE AS A MODERATION

VARIABLE

¹³⁸Variabel

Book Debt

Market Debt

Konstan

-.866***

0.507

¹³⁹Famown

-.367***

-.988***

Board Independence

0.05

-.743***

Famown*Board Independence

.583**

1.604***

Size

.091***

0.025

Tangible

.119***

.215***

ROA

-.731***

-1.537***

R2

0.51

0.513

*, **, *** SIGNIFICANT AT A OF 10%, 5%, 1%

SOURCE: SPSS OUTPUT DATA THAT HAS BEEN PROCESSED¹⁴⁰

THE INTERACTION OF FAMILY OWNERSHIP AND BOARD INDEPENDENCE HAS A SIGNIFICANT POSITIVE EFFECT ON CAPITAL STRUCTURE. THIS¹⁴¹ SHOWS THAT BOARD INDEPENDENCE WEAKENS THE NEGATIVE INFLUENCE BETWEEN FAMILY OWNERSHIP, WHICH MEANS THAT THE GREATER PROPORTION OF BOARD INDEPENDENCE IN THE COMPANY. THIS¹⁴² IS BECAUSE THE BOARD

INDEPENDENCE CAN REDUCE AGENCY PROBLEMS FACED BY THE FAMILY COMPANY BECAUSE THE EXISTENCE OF BOARD INDEPENDENCE CAN MAKE THE SUPERVISION AND CONTROL OF THE BOARD OF MANAGERS MORE EFFECTIVE. THESE RESULTS ARE CONSISTENT WITH ATMAJA'S (2010) RESEARCH ¹⁴³WHICH SHOWS THAT BOARD INDEPENDENCE WEAKENS THE NEGATIVE INFLUENCE BETWEEN FAMILY OWNERSHIP AND CAPITAL STRUCTURE.

THE SIZE OF THE COMPANY HAS A SIGNIFICANT POSITIVE EFFECT ON THE RATIO OF CAPITAL STRUCTURE. ¹⁴⁴THIS IS BECAUSE THE RISK OF BANKRUPTCY FACED BY LARGE COMPANIES IS LOWER WHEN COMPARED TO SMALLER COMPANIES. LARGE COMPANIES ARE MORE ABLE TO DIVERSIFY THEIR BUSINESSES THAN SMALL COMPANIES. ¹⁴⁵IN ADDITION, LARGE COMPANIES CAN ALSO INCREASE THE LEVEL OF CREDITOR CONFIDENCE, BECAUSE LARGE COMPANIES ¹⁴⁶ARE CONSIDERED AS AN INDICATOR OF A COMPANY THAT HAS GOOD FINANCIAL CAPABILITY, SO THAT THE COMPANY ¹⁴⁷IS ABLE TO REPAY ITS LOANS. THESE RESULTS ARE CONSISTENT WITH THE RESEARCH OF HYUNGKEE, DAVID, PHILIP (2016) ¹⁴⁸WHICH SHOWS THAT COMPANY SIZE HAS A POSITIVE EFFECT ON CAPITAL STRUCTURE.

TANGIBLE ASSETS HAVE A SIGNIFICANT POSITIVE EFFECT ON CAPITAL STRUCTURE. ¹⁴⁹THIS IS BECAUSE TANGIBLE ASSETS CAN BE COLLATERAL FOR CREDITORS. THE HIGHER THE GUARANTEE GIVEN TO CREDITORS, THE GREATER THE OPPORTUNITY THE COMPANY HAS TO GET DEBT. COMPANIES WITH LARGE COLLATERAL ¹⁵⁰ARE CONSIDERED CAPABLE OF REPAYING THEIR LOANS AND CAN PROVIDE A SENSE OF SECURITY FOR CREDITORS, SO THAT IN THE EVENT OF BANKRUPTCY, CREDITORS CAN LIQUIDATE ASSETS GUARANTEED BY THE COMPANY TO MEET THEIR OBLIGATIONS. THESE RESULTS ARE CONSISTENT WITH THE RESEARCH OF HYUNGKEE, DAVID,

PHILIP (2016) ¹⁵¹WHICH SHOWS THAT TANGIBLE ASSETS HAVE A POSITIVE EFFECT ON CAPITAL STRUCTURE.

THE COEFFICIENT OF DETERMINATION (R²) FOR EACH BOOK VALUE DEBT RATIO VARIABLE ¹⁵²AND THE MARKET VALUE DEBT RATIO VARIABLE ¹⁵³ARE 0.510 AND 0.513. ¹⁵⁴THIS SHOWS THAT 51% OF THE BOOK VALUE DEBT RATIO AND 51.3% OF THE MARKET VALUE OF THE DEBT RATIO CAN BE EXPLAINED BY THE VARIABLES STUDIED, WHILE THE REMAINING 49% AND 48.7% ARE EXPLAINED BY OTHER VARIABLES NOT CONTAINED IN THE MODEL.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

This study was conducted to analyze the role of board independence in the effect of family ownership on capital structure in ¹⁵⁵family business in Indonesia. This research ¹⁵⁶was conducted by analyzing 46 family business in Indonesia from 2012-2016. Based on the results of the analysis and discussion, it can be ¹⁵⁷concluded that: (1) family ownership has a significant negative effect on capital structure both on the measurement of book debt ratio and market debt ratio, because the higher the family ownership, the greater the risk faced by the family, so the company will reduce the use of debt to reduce risk, and (2) board independence weakens the effect of family ownership on capital structure ¹⁵⁸which is indicated by a significant negative effect, in other words the greater ¹⁵⁹the board independence, the more debt the company will use. ¹⁶⁰

This study still has ¹⁶²a number of limitations in terms of measurement and variable. ¹⁶³This ¹⁶⁴includes: (1) proxy corporate governance mechanism to reduce agency problems using only one variable, board independence, (2) ¹⁶⁵measurement of family ownership that uses only one ¹⁶⁶measurement. ¹⁶⁷It is suggested that further research: (1) add other corporate governance variables, such as board size, audit committee and remuneration committee,

(2) add other measurements in the measurement of family ownership, such as the use of dummy variables.

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1.	...	Misuse of Semicolons, Quotation Marks, etc.	Correctness
2.	Key words → Keywords	Confused Words	Correctness
3.	the Indonesia	Determiner Use (a/an/the/this, etc.)	Correctness
4.	be concluded	Passive Voice Misuse	Clarity
5.	effect → impact	Word Choice	Engagement
6.	structure.	Closing Punctuation	Correctness
7.	key → critical	Word Choice	Engagement
8.	, and	Punctuation in Compound/Complex Sentences	Correctness
9.	around → about	Word Choice	Engagement
10.	This	Intricate Text	Clarity
11.	business → businesses	Incorrect Noun Number	Correctness
12.	are → is	Faulty Subject-Verb Agreement	Correctness
13.	show → shows	Faulty Subject-Verb Agreement	Correctness
14.	are controlled	Passive Voice Misuse	Clarity
15.	are triggered	Passive Voice Misuse	Clarity
16.	, which	Punctuation in Compound/Complex Sentences	Correctness
17.	optimal,	Punctuation in Compound/Complex Sentences	Correctness

18.	problem → issue, question	Word Choice	Engagement
19.	<i>Family shareholders will try to maximize the value of the company and prioritize their personal interests rather than the interests of minority shareholders, as well as minimize the risks faced by the company, so that the company can be passed on to the next generation, while non-family shareholder...</i>	Hard-to-read text	Clarity
20.	is → are	Faulty Subject-Verb Agreement	Correctness
21.	, family → ; family, , and family, . Family	Punctuation in Compound/Complex Sentences	Correctness
22.	The board	Determiner Use (a/an/the/this, etc.)	Correctness
23.	an important → a vital, an essential	Word Choice	Engagement
24.	<i>This</i>	Intricate Text	Clarity
25.	, including	Punctuation in Compound/Complex Sentences	Correctness
26.	, and	Punctuation in Compound/Complex Sentences	Correctness
27.	and/or → and, or	Inappropriate Colloquialisms	Delivery
28.	with respect to → concerning, for, to	Wordy Sentences	Clarity
29.	, in	Punctuation in Compound/Complex Sentences	Correctness
30.	study → review	Word Choice	Engagement

31.	Germany,	Punctuation in Compound/Complex Sentences	Correctness
32.	had a negative impact on → hurt, harmed	Wordy Sentences	Clarity
33.	, in	Punctuation in Compound/Complex Sentences	Correctness
34.	companies,	Punctuation in Compound/Complex Sentences	Correctness
35.	impact → effect	Word Choice	Engagement
36.	had a negative impact on → hurt, harmed	Wordy Sentences	Clarity
37.	research → study	Word Choice	Engagement
38.	the family, or a family	Determiner Use (a/an/the/this, etc.)	Correctness
39.	<i>Based on the results of the above phenomena and problem formulation, the purpose of this research is to develop the previous research and to test as well as to examine the role of board independence in the effect of family ownership on capital structure in family business in Indonesia.</i>		Clarity
40.	the long-term	Determiner Use (a/an/the/this, etc.)	Correctness
41.	used → user	Confused Words	Correctness
42.	debt → obligation	Word Choice	Engagement
43.	capital → equity	Word Choice	Engagement
44.	owned → held	Word Choice	Engagement
45.	been put	Passive Voice Misuse	Clarity

46.	<i>be concluded</i>	Passive Voice Misuse	Clarity
47.	the proportion , or a proportion	Determiner Use (a/an/the/this, etc.)	Correctness
48.	<i>are identified</i>	Passive Voice Misuse	Clarity
49.	a very important → a vital , a significant , a critical , a crucial	Word Choice	Engagement
50.	has the duty to → must , has to	Wordy Sentences	Clarity
51.	practice → preparation , exercise	Word Choice	Engagement
52.	in accordance with → by , following , per , under	Wordy Sentences	Clarity
53.	<i>In carrying out its responsibilities to improve the efficiency and competitiveness of the company, management is overseen by the board of commissioners so as not to act in accordance with personal interests.</i>	Wordy Sentences	Clarity
54.	very large → extensive	Word Choice	Engagement
55.	interests → benefits	Word Choice	Engagement
56.	<i>Family companies have large and concentrated shareholder characteristics, so family businesses can have agency problems between majority shareholders and minority shareholders because of the direct monitoring and control of the founding family is very large (Mulyani, Singh, and Mishra 2016), and th...</i>	Hard-to-read text	Clarity
57.	non-diversified and robust	Word Choice	Engagement
58.	results → produces	Word Choice	Engagement
59.	low risk → low-risk	Misspelled Words	Correctness

60.	on	Wrong or Missing Prepositions	Correctness
61.	high risk → high-risk	Misspelled Words	Correctness
62.	, therefore → . Therefore, ; therefore	Punctuation in Compound/Complex Sentences	Correctness
63.	therefore,	Punctuation in Compound/Complex Sentences	Correctness
64.	large → substantial, massive	Word Choice	Engagement
65.	debt → liability	Word Choice	Engagement
66.	debt → liability	Word Choice	Engagement
67.	, such	Punctuation in Compound/Complex Sentences	Correctness
68.	has a negative effect on → hurts, harms	Wordy Sentences	Clarity
69.	an important → a vital, an essential	Word Choice	Engagement
70.	<i>The board independence plays an important role in reducing agency problems between the majority shareholders (family) and minority shareholders, because the board can monitor managers more effectively and can control the board in accordance with the interests of all shareholders (Fama and Jensen, 1...</i>		Hard-to-read text Clarity
71.	effect → impact	Word Choice	Engagement
72.	been stated	Passive Voice Misuse	Clarity
73.	be made	Passive Voice Misuse	Clarity

74.	the family, or a family	Determiner Use (a/an/the/this, etc.)	Correctness
75.	framework → frame	Word Choice	Engagement
76.	is shown	Passive Voice Misuse	Clarity
77.	business → businesses	Incorrect Noun Number	Correctness
78.	in → on	Wrong or Missing Prepositions	Correctness
79.	is obtained	Passive Voice Misuse	Clarity
80.	is chosen	Passive Voice Misuse	Clarity
81.	the family, or a family	Determiner Use (a/an/the/this, etc.)	Correctness
82.	so,	Punctuation in Compound/Complex Sentences	Correctness
83.	is expected	Passive Voice Misuse	Clarity
84.	conditions → requirements, terms	Word Choice	Engagement
85.	a purposive	Determiner Use (a/an/the/this, etc.)	Correctness
86.	in accordance with → by, following, per, under	Wordy Sentences	Clarity
87.	be used	Passive Voice Misuse	Clarity
88.	are presented	Passive Voice Misuse	Clarity
89.	a data	Determiner Use (a/an/the/this, etc.)	Correctness
90.	a hypothesis	Determiner Use (a/an/the/this, etc.)	Correctness

91.	<i>are collected</i>	Passive Voice Misuse	Clarity
92.	the Indonesian	Determiner Use (a/an/the/this, etc.)	Correctness
93.	, and	Punctuation in Compound/Complex Sentences	Correctness
94.	an annual	Determiner Use (a/an/the/this, etc.)	Correctness
95.	the Indonesia	Determiner Use (a/an/the/this, etc.)	Correctness
96.	a moderating, or the moderating	Determiner Use (a/an/the/this, etc.)	Correctness
97.	, namely	Punctuation in Compound/Complex Sentences	Correctness
98.	is measured	Passive Voice Misuse	Clarity
99.	measurements → sizes	Word Choice	Engagement
100.	greater → higher	Word Choice	Engagement
101.	greater → more significant, higher, more excellent, more magnificent	Word Choice	Engagement
102.	value → amount, cost	Word Choice	Engagement
103.	value → amount, cost	Word Choice	Engagement
104.	greater → higher	Word Choice	Engagement
105.	, the	Punctuation in Compound/Complex Sentences	Correctness
106.	greater → more significant, higher, more excellent,	Word Choice	Engagement

	more exceptional		
107.	greater → higher	Word Choice	Engagement
108.	that the	Determiner Use (a/an/the/this, etc.)	Correctness
109.	greater → higher	Word Choice	Engagement
110.	the minimum	Determiner Use (a/an/the/this, etc.)	Correctness
111.	, and	Punctuation in Compound/Complex Sentences	Correctness
112.	are shown	Passive Voice Misuse	Clarity
113.	are → is	Faulty Subject-Verb Agreement	Correctness
114.	the size	Determiner Use (a/an/the/this, etc.)	Correctness
115.	that.	Closing Punctuation	Correctness
116.	classical → traditional, conventional	Word Choice	Engagement
117.	tangible → physical, real	Word Choice	Engagement
118.	normal → standard, usual, typical, average	Word Choice	Engagement
119.	Based on the normality test in Figures 2 and 3, the first model looks at the effect of family ownership, company size, tangible assets, and profitability on book value debt ratios with moderating board independence, the second model looks at the influence of family ownership, company size, tangible...	Hard-to-read text	Clarity
120.	Multicollinearity	Misspelled Words	Correctness

121.	use → uses	Faulty Subject-Verb Agreement	Correctness
122.	regression,	Punctuation in Compound/Complex Sentences	Correctness
123.	multicollinearity	Misspelled Words	Correctness
124.	the mulcollinearity	Determiner Use (a/an/the/this, etc.)	Correctness
125.	test → analysis	Word Choice	Engagement
126.	the Variance	Determiner Use (a/an/the/this, etc.)	Correctness
127.	be seen	Passive Voice Misuse	Clarity
128.	on → in	Wrong or Missing Prepositions	Correctness
129.	Multicollinearity	Misspelled Words	Correctness
130.	VIE → VIP	Misspelled Words	Correctness
131.	ARE PRESENTED	Passive Voice Misuse	Clarity
132.	IS OBTAINED	Passive Voice Misuse	Clarity
133.	BE CONCLUDED	Passive Voice Misuse	Clarity
134.	THIS	Intricate Text	Clarity
135.	THIS	Intricate Text	Clarity
136.	DEBT → DEBIT	Confused Words	Correctness
137.	, WHICH	Punctuation in Compound/Complex Sentences	Correctness
138.	Varibel → Variable	Misspelled Words	Correctness

139.	Famown → Fawn	Misspelled Words	Correctness
140.	BEEN PROCESSED	Passive Voice Misuse	Clarity
141.	THIS	Intricate Text	Clarity
142.	THIS	Intricate Text	Clarity
143.	, WHICH	Punctuation in Compound/Complex Sentences	Correctness
144.	THIS	Intricate Text	Clarity
145.	IN ADDITION → Also, Besides	Wordy Sentences	Clarity
146.	ARE CONSIDERED	Passive Voice Misuse	Clarity
147.	IS ABLE TO → can	Wordy Sentences	Clarity
148.	, WHICH	Punctuation in Compound/Complex Sentences	Correctness
149.	THIS	Intricate Text	Clarity
150.	ARE CONSIDERED	Passive Voice Misuse	Clarity
151.	, WHICH	Punctuation in Compound/Complex Sentences	Correctness
152.	BOOK VALUE DEBT RATIO VARIABLE	Intricate Text	Clarity
153.	MARKET VALUE DEBT RATIO VARIABLE	Intricate Text	Clarity
154.	THIS	Intricate Text	Clarity
155.	the family, or a family	Determiner Use (a/an/the/this, etc.)	Correctness
156.	was conducted	Passive Voice Misuse	Clarity

157.	<i>be concluded</i>	Passive Voice Misuse	Clarity
158.	negative → <i>adverse</i>	Word Choice	Engagement
159.	effect → <i>impact</i>	Word Choice	Engagement
160.	greater → <i>higher, more magnificent, more excellent</i>	Word Choice	Engagement
161.	<i>Based on the results of the analysis and discussion, it can be concluded that: (1) family ownership has a significant negative effect on capital structure both on the measurement of book debt ratio and market debt ratio, because the higher the family ownership, the greater the risk faced by the fam...</i>	Hard-to-read text	Clarity
162.	a number of → <i>several, some, many</i>	Wordy Sentences	Clarity
163.	<i>This</i>	Intricate Text	Clarity
164.	includes:	Misuse of Semicolons, Quotation Marks, etc.	Correctness
165.	measurement → <i>analysis, size, frequency, height</i>	Word Choice	Engagement
166.	measurement → <i>size, frequency, measure, analysis</i>	Word Choice	Engagement
167.	<i>is suggested</i>	Passive Voice Misuse	Clarity
168.	" → <i>,</i>	Misuse of Semicolons, Quotation Marks, etc.	Correctness
169.	" → <i>,</i>	Misuse of Semicolons, Quotation Marks, etc.	Correctness
170.	" → <i>,</i>	Misuse of Semicolons, Quotation Marks, etc.	Correctness
171.	<i>, and</i>	Comma Misuse within	Correctness

		Clauses	
172.	" → ,"	Misuse of Semicolons, Quotation Marks, etc.	Correctness
173.	A.A,	Punctuation in Compound/Complex Sentences	Correctness
174.	→ , , .	Comma Misuse within Clauses	Correctness
175.	dan → Dan	Improper Formatting	Correctness
176.	" → ,"	Misuse of Semicolons, Quotation Marks, etc.	Correctness
177.	Cespedes → Cespedes	Misspelled Words	Correctness
178.	" → ,"	Misuse of Semicolons, Quotation Marks, etc.	Correctness
179.	" → ,"	Misuse of Semicolons, Quotation Marks, etc.	Correctness
180.	" → ,"	Misuse of Semicolons, Quotation Marks, etc.	Correctness
181.	" → ,"	Misuse of Semicolons, Quotation Marks, etc.	Correctness
182.	" → ."	Misuse of Semicolons, Quotation Marks, etc.	Correctness
183.	" → ,"	Misuse of Semicolons, Quotation Marks, etc.	Correctness
184.	" → ,"	Misuse of Semicolons, Quotation Marks, etc.	Correctness
185.	, and	Comma Misuse within Clauses	Correctness
186.	" → ,"	Misuse of Semicolons,	Correctness

Quotation Marks, etc.			
187.	World Class → World-Class	Misspelled Words	Correctness
188.	, and	Comma Misuse within Clauses	Correctness
189.	" → ,"	Misuse of Semicolons, Quotation Marks, etc.	Correctness