THE IMPACT OF INDEPENDENT DIRECTORS AND FAMILY CONTROL ON THE DIVIDEND POLICY AND CAPITAL STRUCTURE: A FAMILY BUSINESS STRATEGY

Rio Dhani Laksana *, Intan Shaferi **, Humaira Naznii ***

* *Corresponding author*, Universitas Jenderal Soedirman, Purwokerto, Indonesia
Contact details: Universitas Jenderal Soedirman, Jl. Prof. Dr. HR. Boenjamin 708, Kotak Pos 115, Grendeng, Purwokerto 53122, Indonesia
** Universitas Jenderal Soedirman, Purwokerto, Indonesia
*** Macquarie Business School, Sydney, Australia

How to cite this paper: Laksana, R. D., Shaferi, I., & Naznii, H. (2024). The impact of independent directors and family control on the dividend policy and capital structure: A family business strategy. *Corporate & Business Strategy Review, 5*(3), 168–175. https://doi.org/10.22495/cbsrv5i3art16

ISSN Online: 2708-4965
ISSN Print: 2708-9924

Received: 27.06.2023
Accepted: 19.07.2024

JEL Classification: G30, G32, L60
DOI: 10.22495/cbsrv5i3art16

Abstract

The goal of this research is to determine how independent boards and family company controls affect capital structure and dividend policy. The nature of the independent board moderating variable on the impact of family company control on dividend and capital structure policies is also examined in this study. Twenty-six firms that were listed on the Indonesia Stock Exchange (IDX) between 2018 and 2022 are used in this study's panel data. The findings indicate that although independent boards have a major positive influence on dividend policy and a negative impact on capital structure, family company control has a considerable negative impact on dividend policy. The independent board's moderating effect can change how negatively the family firm controls the dividend policy. However, the independent variable board has a significant detrimental impact on the capital structure and moderates the impact of family company control. The dividend payout ratio is significantly positively impacted by firm size and growth potential. Long-term debt decreases as independent board representation increases in family-controlled businesses. The conclusions of this study, it only looks at how family control and independent commissioners affect capital structure and dividend policy; it ignores how different industries operate. It is probable that variations in capital structure and dividend policy among industries. The quantity of dividends and long-term debt in the capital structure may therefore be calculated with the addition of industry categorization factors from future research.

Keywords: Family Business, Family Control, Dividend Policy, Capital Structure, Independent Board

Authors' individual contribution: Conceptualization — R.D.L. and I.S.; Methodology — R.D.L. and H.N.; Investigation — R.D.L., I.S., and H.N.; Resources — I.S.; Writing — Original Draft — R.D.L.; Writing — Review & Editing — R.D.L., I.S., and H.N.

Declaration of conflicting interests: The Authors declare that there is no conflict of interest.

1. INTRODUCTION

Companies in Indonesia are primarily family-controlled businesses. One sign of a family-controlled business is the ownership of the majority of the company's shares by the founder, the founder's family, or an institution whose board of directors includes the founder's family. In Indonesia, the extent of the majority stake held by a business's founder, their family, or an institution varies greatly from one company to the next. From 2018 to 2022, the average family ownership ranged from 4.48% to 96.64% (Behringer et al., 2019). The existence of blood ties and a very strong sense of belonging from family members often make strategic decisions more difficult.

When an agent behaves in a way that is at odds with the principal's interests, agency issues develop. The principal in the context of the business is the owner of the business (shareholders), and the agent is the management team that the owner of the business trusts. In a family-controlled company, the owner can be part of the management team or be the majority shareholder. Therefore, agency problems that arise in family-controlled companies are conflicts between majority shareholders and minority shareholders, or conflicts between management and debtholders. To ensure that the firm may be passed down to their children and grandchildren, the majority shareholders work to enhance the value of the business, protect their own interests, and reduce the danger of bankruptcy. Minority shareholders invest because they are diverse, namely in 2018–2022 the average use of debt and equity ratios ranged from 0% to 388% (Quarato et al., 2020). This is because of the assumption that companies that have large debt and equity ratios mean that future prospects want capital gains or dividends so that these interests are more directed toward the prosperity of minority shareholders. The management must make the best business decisions to promote shareholder prosperity so that the firm's primary purpose of enhancing the value of the company can be accomplished and the gap between interests is not too great, such that the success of minority owners is a result of these interests (Laksana et al., 2020).

Managers must choose the appropriate course of action to boost shareholder prosperity in order to meet the organization's primary objective of expanding company value so that the disparity in interests is not too great. in order for these interests to benefit minority shareholders. Managers must choose the appropriate course of action to boost shareholder prosperity in order to meet the organization's primary objective of expanding company value so that the disparity in interests is not too great (Malini & Giovandi, 2022).

By choosing the appropriate dividend policy and capital structure, agency issues may be minimized. Each firm in Indonesia has a very different policy on the payment of cash dividends. Between 2018 and 2022, the average dividend payout ratio (DPR) of Indonesian firms varied from 0% to 187% (Fortuna et al., 2020). According to the studies of Fortuna et al. (2020), Pindado and Requejo (2014), and Behringer et al. (2019), family-controlled businesses give higher dividends than those that do not. Family businesses do this to cut expenses associated with disputes between family shareholders and minority shareholders. Behringer et al. (2019) claim that this is the case because family businesses in Australia are more influenced by independent boards than are non-family businesses.

Determining the amount of debt a firm utilizes in its capital structure can also help to minimize agency issues, namely disputes between majority and minority shareholders. This occurs when management is subject to creditor oversight and is unable to operate independently. In Indonesia, there are many different ways that debt is used in the capital structure. This is due to the notion that a company's strong future prospects are implied by a high debt-to-equity ratio. On the other side, a high debt-to-equity ratio will raise investor risk. The bigger the percentage of debt utilization, the higher the likelihood that the business would file for bankruptcy (Melesse et al., 2021).

Additionally, agency issues might be decreased by having an independent commissioner within the organization. Independent commissioners are mandated by the firm Law to promote the development of a more objective environment and to uphold equality (fairness) among diverse interests, including the interests of the firm and those of stakeholders. Between 2018 and 2022, Indonesia's independent commissioners' percentages varied from 20% to 100% on average (Laksana et al., 2020). According to Behringer et al.'s (2019) research, whether a company is family-controlled or not, it will pay larger dividends because of independent commissioners. The dividends of family-controlled businesses, however, are higher than those of non-family-controlled businesses.

Previous research related to this topic has been conducted by Kanakriyah (2020) who researched independent commissioners control the influence of family-owned business characteristics on dividend policy and obtained the results that the independent commissioner was able to control the influence of family business characteristics on dividend policy. Independent Commissioners play a role in reducing the positive influence of family-owned business characteristics on dividends. Setiawan et al. (2020) have also researched the role of independent commissioners on the influence of family ownership on capital structure in family companies in Indonesia and obtained results that can be concluded that family ownership has a significant negative effect on capital structure. Independent commissioners significantly weaken the negative influence of family ownership on capital structure. Furthermore, company size has a significant positive effect on capital structure, but profitability has a significant negative effect on capital structure.

The capital structure and dividend policy of public businesses are examined in this study in relation to family control and independent commissioners. We also wanted to know how the role of independent commissioners as a moderating variable on the effect of family control on dividend policy and capital structure of publicly listed companies on the IDX from 2018 to 2022 due to the informal nature of family businesses and prioritizing family interests, as well as the demands for professionalism in current management (Amin et al., 2020).

The rest of the paper is structured as follows. Section 2 reviews the literature which contains the theory that supports this research and the research hypothesis. Section 3 provides research methods. Section 4 presents the research results. Section 5 discusses the research results. And finally, Section 6 is the conclusion of the results of the research that has been carried out.

2. LITERATURE REVIEW

Limitations of family control in companies in Indonesia is based on the characteristics of family-controlled companies; there are several family members who significantly influence decision-making. According to Mawardi et al. (2022), the majority of family businesses in Indonesia are founded by members of immediate families or close friends.

To build their business concept, the company's founder collaborates with associates who are still part of their personal family or close friends. This is because the founders realize that realizing the business alone requires support from other parties to be confidence modalities and there are aspects of trust and a common vision. According to the findings of Jouirou and Lakhal (2020), the following family members have a substantial impact on the company's decision-making by holding a prominent position in the organization or by owning a majority share: 1) children company founder, 2) grandson of company founder, 3) nephew of company founder, 4) husband/wife of company founder, 5) son-in-law of company founder, 6) parents/in-law of company founder, and 7) brother-in-law of company founder.

2.1. Family control measurement

Family control does not have a definite definition until now. Quarato et al. (2020) state that family companies can control the company through the shares owned in the company. The founder tends to strive to control the positions of the board of directors and the board of commissioners in an effort to keep control by appointing members of his family to important positions inside the business. According to Behringer et al. (2019), a family-controlled business must have at least 20% of the outstanding shares owned by family members. Indirect ownership is a common method of ownership for family-controlled enterprises, which is linked to the trend toward concealment among Asian family businesses when addressing applicable regulatory gaps (Brahem et.al, 2021).

Family control is an important ownership structure that gives rise to a special and unique ownership structure for public companies (Abeysekera & Fernando, 2020). Family control arises because of the ownership structure that is concentrated in family companies, leading to a strong family control in the company. In family companies, family members are actively involved in managing the company, because their strong position as owners and management of the company can affect the firm decisions (Setiawan et al., 2020) and strengthen the family control. When family owners have strong control over the company, agency conflicts change from conflicts between managers and shareholders to conflicts between controlling shareholders and non-controlling shareholders. When the controlling shareholders gain effective control over the company, their decisions may involve opportunistic earnings management to hide their expropriating minority shareholders.

Based on financial flow rights and control rights, Albanez and Schiozer (2022), serve as the study's proxy for family control. Cash flow rights are represented by the proportion of shares held by institutions with indirect family ownership and the majority of shares held by persons with family names, as opposed to state-owned institutions and financial institutions. Control right is defined as the percentage of family members on the board of commissioners or the percentage of family members on the board of directors that is at least 30% higher than the percentage of all board members (Chadha & Seth, 2021). A dummy variable will be used to categorize public corporations that will make up the study sample. Family-controlled enterprises will be assigned a value of 1 if they fall under one of the following headings:

- the proportion of shares held by shareholders with family names and the proportion of institutions holding the majority as indirect family ownership;
- the proportion of family members serving on a board of directors or a board of commissioners to all members of those boards.

On the other hand, if a business that is not managed by the family meets one of the following conditions, it will receive a score of 0:

- companies that do not fall into one or more of the criteria for family-controlled companies;
- state-owned companies and affiliates of multinational companies.

Pinto et al. (2020) stated that a dividend policy is a policy a company uses to structure its dividend payout. Put simply, a dividend policy outlines how a company will distribute its dividends to its shareholders. These structures detail specifics about payouts, including how often, when, and how much is distributed. There are three different types of dividend policies: 1) stable, 2) constant, and 3) residual each with its own benefits. Dividend policies aren't mandatory, as some companies choose not to reward shareholders with dividends.

Dividend policy refers to the decision made by financial management on the percentage of profit that will be delivered to shareholders in the form of cash dividends, stock dividends, or other forms of shares. The company's internal expenditure decisions include a dividend policy. This occurs because the firm's internal funding source, namely retained earnings, will be impacted by the size of the dividend paid by the company. Retained earnings decrease with increasing dividends given to shareholders and vice versa. The DPR can be used as a proxy for dividend policy (Kanakriyah, 2020).

The dispute between the dominant shareholder and the minority shareholder is the type III agency problem that family-controlled businesses must deal with. When a majority shareholder controls the firm, information risk increases. Minority shareholders thus desire that the firm disperse its profits in the form of dividends. As opposed to that, due to the still-weak protection of minority shareholder rights in Indonesia, it is probable that management would refuse to extend rights to significant minority owners (Quarato et al., 2020). This suggests that family control has a bad impact on dividend policy. According to Behringer et al. (2019), the dividend distribution increases as the percentage of independent commissioners on a company's board of commissioners increases.

H1: Family control has a negative impact on the firm's dividend payout ratios (DPR), whereas independent commissioners have a positive impact.

Independent commissioners have a close relationship with family control in influencing dividend policy. Due to the still-weak protection of minority shareholders, management may prioritize personal interests and reduce dividend payments the more family control there is in the business (Quarato et al., 2020). Family control therefore has a bad impact on dividend policy. According to Behringer et al.'s (2019) research, family-controlled corporations with independent commissioners have better dividend policies since there is less agency conflict between majority owners and minority shareholders.

H2: Family control's ability to influence the company's dividend policy can be weakened by the interaction between family control and independent commissioners.

2.2. Understanding and theory of capital structure

Capital structure is the particular combination of debt and equity used by a company to finance its overall operations and growth. Equity capital arises from ownership shares in a company and claims to its future cash flows and profits. Debt comes in the form of bond issues or loans, while equity may come in the form of common stock, preferred stock, or retained earnings. Short-term debt is also considered to be part of the capital structure (Ayuba et al., 2019).

According to Kurniawan (2021), both debt and equity can be found on the balance sheet. Company assets, also listed on the balance sheet, are purchased with debt or equity. Capital structure can be a mixture of a company's long-term debt, short-term debt, common stock, and preferred stock. A company's proportion of short-term debt versus long-term debt is considered when analyzing its capital structure. When analysts refer to capital structure, they are most likely referring to a firm's debt-to-equity (D/E) ratio, which provides insight into how risky a company's borrowing practices are. Usually, a company that is heavily financed by debt has a more aggressive capital structure and, therefore, poses a greater risk to investors. This risk, however, may be the primary source of the firm's growth.

Siregar and Harahap (2021) stated that the capital structure contrasts long-term debt with equity. The company's long-term expenditure decisions are intimately correlated with its capital structure. The success of the company's primary objective, which is to raise its value as evidenced by the rise in its stock price and the low cost of capital, will depend on making the best financial decisions. The share price will be maximized by the ideal capital structure. Long-term debt-to-equity ratio (LDER), which compares long-term debt and equity, can serve as a proxy for capital structure policy.

The capital structure theory explains the connection between capital structure and company value, the business's cost of capital, and the firm's stock price. The Modigliani–Miller (MM) theory, trade-off theory, pecking order theory, agency theory, and signaling theory are a few capital structure theories. When compared to MM theory 1958, which does not support capital structure, MM theory 1963 does, concluding that using debt will raise business value since interest costs on debt can lower taxes. The pecking order hypothesis does not support the capital structure since businesses are more likely to choose internal funding than external investment, but the trade-off theory does. Basically, the firm will choose the capital structure depending on the relative importance of various funding sources.

According to Katharina et al. (2021), Indonesia's ownership structure is distinguished by a high concentration of ownership. The amount of debt that may be accepted increases with the concentration of ownership in the business. This is consistent with the traits of a family-controlled business, where the family does not want to lose control of the business. Families prefer using debt to finance their investments over issuing new shares as a consequence. Debt levels increase with family control levels. In other words, family control affects capital structure favorably.

Additionally, the presence of an independent commissioner helps lessen conflicts between majority shareholders (the company's founders or their families) and minority owners as well as between management and shareholders. In industrialized nations, there is a favorable correlation between the percentage of independent directors on a company's board of directors and corporate governance (Katharina et al., 2021). According to Behringer et al. (2019), family-controlled businesses have fewer independent commissioners than businesses that are not family-controlled, and family businesses have more debt than businesses that are not family-controlled. As a result, businesses with a high percentage of independent commissioners have a negative impact on how much debt they utilize.

The research's hypotheses are based on this description:

H3: Independent commissioners have a negative impact on capital structure whereas family control has a good impact.

In terms of influencing the capital structure, family control and independent commissioners work closely together. Family control has a favorable impact on capital structure, according to agency theory.

Behringer et al. (2019) found that the presence of independent commissioners in family-controlled businesses had an impact on the capital structure's usage of debt. This means that the more independent commissioners there are in the capital structure of family-controlled enterprises.

H4: Family control's impact on the firm's capital structure may be lessened as a result of the interaction between family control and independent commissioners.

3. RESEARCH METHODOLOGY

3.1. Research type

The method adopted for this study is a quantitative method. In this study, the quantitative methodology focuses on evaluating hypotheses based on the analytical model. This study's analytical model makes use of numerous linear regression models. Companies that are listed on the IDX from 2018 to 2022 make up the population. Purposive sampling is used to select the sample, and the criteria include excluding financial companies because of their unique characteristics, companies that consistently release annual financial statements in 2018–2022, companies that consistently distribute dividends in 2018–2022, and companies with independent commissioners.

3.2. Data analysis technique

The type of data used in this study is secondary data, also known as panel data, which is a blend of cross-sectional and time series data. The Indonesia Capital Market Directory (ICMD), an annual report that was audited in 2018–2022, may be found on the IDX's official website[1].

The dependent and independent variables in this study include *capital structure* and *dividend policy*, as well as *family control* and *independent commissioners. Firm size*, *profitability*, *growth potential*, *commercial risk*, and *assets* are examples of control factors. *Tangibility* and the *independent commissioner* served as the study's moderating factor.

Understanding the variables that will be employed in the study is what is meant by the operational definition. *Family control* (*KK*) is the proportion of shares held by people with family names holding the majority of the shares, or the proportion of institutions holding the majority of the shares through indirect family ownership, or the proportion of family members sitting on the board of commissioners to the total number of commissioners, or the proportion of family members sitting on the board of directors to the total number of directors. A dummy variable is used to measure this variable. Companies that meet the family control criteria are given a score of 1, and companies that do not meet the criteria are given a score of 0 if: 1) they do not meet one or more of the family control criteria; 2) they are owned by the state or are subsidiaries of large multinational corporations; or 3) they are not family controlled.

1. The ratio of independent commissioners to members of the company's commissioners is known as independent commissioners (*KI*).
2. The percentage of cash dividends given to shareholders relative to the company's net income is known as the dividend payout ratio (*DPR*).
3. *LDER* stands for capital structure, which is the ratio of long-term debt-to-equity.
4. When a business's size is determined by the entire value of its assets, such a corporation is said to have a large firm (*SIZE*).
5. The capacity of the business to make money is known as profitability (*ROA*).
6. Business risk (*RISK*) is the risk that develops as a result of the use of fixed assets by the business, which results in fixed operating expenses.
7. A chance to invest in order to boost the company's growth in the future is a growth opportunity (*GO*).
8. Assets with a longer useful life than one budget period and that are employed for company operations are known as tangibility assets (*TNGBL*), which are not intended for sale.
9. Regression is used in the study model to determine how family control and independent commissioners affect dividend policy and capital structure.

[1] https://www.idx.co.id/id

Model 1

$$DPR_{it} = \beta_{10} + \beta_{11}KK_{it} + \beta_{12}KI_{it} + \beta_{13}SIZE_{it} + \beta_{14}ROA_{it} + \beta_{15}GO_{it} + \varepsilon_{it} \quad (1)$$

Model 2

$$DPR_{it} = \beta_{20} + \beta_{21}KK_{it} + \beta_{22}KI_{it} + \beta_{23}SIZE_{it} + \beta_{24}ROA_{it} + \beta_{25}GO_{it} + \beta_{26}KKI_{it} + \varepsilon_{it} \quad (2)$$

Model 3

$$LDER_{it} = \beta_{30} + \beta_{31}KK_{it} + \beta_{32}KI_{it} + \beta_{33}SIZE_{it} + \beta_{34}ROA_{it} + \beta_{35}GO_{it} + \beta_{36}RISK_{it} + \beta_{37}TNGBL_{it} + \varepsilon_{it} \quad (3)$$

Model 4

$$LDER_{it} = \beta_{40} + \beta_{41}KK_{it} + \beta_{42}KI_{it} + \beta_{43}SIZE_{it} + \beta_{44}ROA_{it} + \beta_{45}GO_{it} + \beta_{46}RISK_{it} + \beta_{47}TNGBL_{it} + \beta_{48}KKK_{it}KI_{it} + \varepsilon_{it} \quad (4)$$

where,

- DPR_{it} = dividend payout ratio of company *i* in year *t*;
- $LDER_{it}$ = long-term debt-equity ratio of company *i* in year *t*;
- β_{Jo} = intercept of the *j* regression model;
- β_{Jn} = regression coefficient of model *j* each variable n;
- KKI_{it} = control of company family *i* in year *t*;
- KI_{it} = independent commissioner of company *i* in year *t*;
- $SIZE_{it}$ = firm size *i* in year *t*;
- ROA_{it} = profitability of company *i* in year *t*;
- GO_{it} = opportunity for growth of company *i* in year *t*;
- $RISK_{it}$ = business risk of company *i* in year *t*;
- $TNGBL_{it}$ = tangibility asset of company *i* in year *t*;
- $KKK_{it}KI_{it}$ = interaction between family control and independent commissioner.

4. RESULTS

This study's focus is non-financial firms that will be listed on the IDX between 2018 and 2022. In contrast to the 351 non-financial firms listed on the IDX from 2008 to 2022, there were 350 in 2018. There were 26 businesses that satisfied the sample criteria that were utilized. The sample companies consist of five sectors classified into 16 industries and the most sampled companies are the automotive and allied products industry with 4 important things.

In the period 2018–2022, the sample companies that have family control are 15 companies, while those without family control are 11.

Table 1. Average development of control variables and independent commissioners

Variable	Average				
	2018	2019	2010	2021	2022
KI	0.4370	0.4332	0.4332	0.4332	0.4332
SIZE	28.4903	28.6347	28.6509	28.7982	28.9727
ROA	10.59%	9.30%	10.46%	11.55%	12.08%
GO	3.3558	2.3523	3.5081	4.0434	4.3531
TNGBL	26.1%	26.8%	27.1%	25.3%	23.4%
DPR	5.0999	-31.5797	5.1372	20.7451	1.6366

Based on Table 1, the average annual growth of independent commissioners is 43.7%, which indicates that the majority of sample firms have complied with legal requirements for the number of independent commissioners in the organization. The growth of the typical business size and a very modest yearly rise, ranging from 28.49 to 28.97. The average growth of *ROA* and *GO*, on the other hand, tends to rise each year, with the exception of 2018, when there was a fall. This is a result of the global financial crisis of 2008, which had an impact on the reduction in consumer demand for products. The majority of the companies in the sample are capital-intensive companies, so they are very vulnerable to the impact of the recession. If the demand for goods falls due to the recession, the level of profit will decrease because of the fixed costs borne by large companies.

The average development of *TNGBL* and *DPR* fluctuates every year. The highest average tangibility of assets occurred in 2019, while the lowest average tangibility of assets occurred in 2022. Meanwhile, the lowest average *DPR* occurred in 2018, while the highest occurred in 2010. This was due to the influence of the economic recession. world in 2008 which caused a decrease in the demand for goods so that sales decreased. On the other hand, the majority of sample companies are capital-intensive companies, so the use of fixed assets is high, so that fixed costs increase, namely depreciation which results in higher fixed costs.

5. DISCUSSION

After we know the results of the average development of control variables and independent commissioners, we can proceed to the next research step by calculating panel data for regression Models 1 and 2 with partial least squares (PLS), below are the results of the calculations.

Table 2. Results of panel data regression Models 1 and 2 with the partial least squares

Variable	Model 1			Model 2		
	Coefficient	Prob.	Information	Coefficient	Prob.	Information
KI	0.1453	0.1492	Not significant	0.3039	0.0139	Significant
KK	-0.0634	0.0191	Significant	0.1548	0.2497	Not significant
GO	0.0116	0.0005	Significant	0.0086	0.0144	Significant
ROA	0.3488	0.0803	Not significant	0.2547	0.2084	Not significant
SIZE	0.0105	0.0000	Significant	0.0090	0.0000	Significant
KK*KI				-0.3691	0.0621	Significant
Weighted statistics:						
R-squared		0.5773			0.5673	
Durbin–Watson statistic		1.8773			1.8611	

Source: EViews output results.

According to Table 2, the *independent commissioner* has no discernible beneficial influence on the *dividend payout ratios* (*DPR*) variable, however, the *family control* variable has a considerable negative effect. As a result, businesses under family ownership distribute lower dividends than those under non-family control. The *DPR* will rise in response to an increase in *independent commissioners*, and vice versa. The influence of *family control* is decreasing and changing in direction after the *independent commissioner's* moderating variable was applied to the *DPR*, going from -0.0634 to 0.1548, while the *independent commissioner's* influence is increasing, going from 0.1453 to 0.3039. Accordingly, the *independent commissioner* variable can lessen the impact of *family control* on the *DPR*, resulting in higher dividend payouts to shareholders in family-controlled businesses the more independent commissioners there are. Due to independent commissioners' representation of minority shareholders' interests, firms can lessen agency issues, such as disputes between majority and minority shareholders, by increasing the number of independent commissioners.

Based on the research of Quarato et al. (2020), family-controlled companies in Indonesia still have a low level of protection of shareholder rights, so it is most likely that the founders or founding families who become the company's management team decide to use a small portion of retained earnings to be distributed as dividends and most of the profits reinvested. This is due to the large amount of family control in the form of majority share ownership owned by the founders or the family of the founders of the company, which is 55.60%, and because the sample companies have growth opportunities that increase every year in 2018–2022. The findings of this study support the research hypothesis, which holds that independent commissioners mitigate the detrimental effects of family control on a company's DPR. The findings of this study are consistent with Wei et al.'s (2011), which indicates that family control has a negative impact on the DPR, while it claims that independent commissioners, specifically those who can speak for minority shareholders, have a positive impact on the DPR in family-controlled companies in countries with good shareholder protection.

Table 3. Panel data regression Models 3 and 4 with partial least squares

Variable	Model 3			Model 4		
	Coefficient	Prob.	Information	Coefficient	Prob.	Information
GO	0.0281	0.0001	Significant	0.0310	0.0000	Significant
KI	-0.7834	0.0005	Significant	-1.0145	0.0006	Significant
KK	-0.0169	0.7382	Not significant	-0.02149	0.1960	Not significant
ROA	-1.7119	0.0001	Significant	-1.5831	0.0005	Significant
SIZE	0.0198	0.0000	Significant	0.0225	0.0000	Significant
TNGBL	0.5762	0.0001	Significant	0.5614	0.0002	Significant
DPR	0.0001	0.6052	Not significant	0.0001	0.6478	Not significant
*KK*KI*				0.4911	0.2109	Not significant
Weighted statistics:						
R-squared	0.3055			0.3144		
Durbin–Watson statistic	1.9308			1.8833		

According to Table 3, whereas independent commissioners have a considerable negative impact on *long-term debt in the capital structure* (*LDER*), the *family control* variable has a negligible impact on capital structure. The influence of *independent commissioners* on *LDER* rose after being moderated by the *independent commissioner's* variable on the effect of *family control* on *LDER*, going from -0.0169 to -0.02149 and -0.7834 to -1.0145, respectively. Therefore, the utilization of long-term debt decreases as the proportion of independent commissioners increases in family-controlled businesses. Consequently, to minimize agency issues between majority and minority shareholders.

The question of whether independent commissioners can control the impact of family-owned business characteristics on dividend policy was the subject of earlier research on this subject by Kanakriyah (2020). Their findings showed that the independent commissioner could control the influence of family business characteristics on dividend policy. A portion of the dividend benefit derived from family-owned company attributes is mitigated by independent commissioners. The impact of family ownership on capital structure in Indonesian family businesses has also been studied by Setiawan et al. (2020), and their findings support the notion that family ownership significantly detracts from capital structure. The detrimental impact of family ownership on capital structure is considerably mitigated by independent commissioners. Additionally, the capital structure of a corporation is positively impacted by its size, but negatively impacted by its profitability.

6. CONCLUSION

From the research results, it can be concluded that in a family-controlled corporation, the bigger the composition of independent commissioners, the less effect family control has over the DPR and the greater the dividends paid to shareholders. Instead of raising long-term debt, management lowers agency conflicts between majority owners and minority shareholders by paying close attention to the makeup of the company's independent commissioners.

It has been demonstrated that the independent commissioner's moderating variable weakens the detrimental impact of family control on the DPR, but strengthens the detrimental impact of family control on the capital structure. This indicates that by providing dividends, management can lessen agency issues. Profitability has a significant positive impact on the DPR but a significant negative impact on the capital structure, asset tangibility has a significant negative impact on the capital structure, and business risk has a positive but not significant impact on the structure. Firm size and growth opportunity also have a significant positive impact on the DPR and capital structure.

This study only looks at how family control and independent commissioners affect capital structure and dividend policy; it ignores how different industries operate. It's probable that variations in capital structure and dividend policy among industries. The quantity of dividends and long-term debt in the capital structure may therefore be calculated with the addition of industry categorization factors from future research.

REFERENCES

Abeysekera, A. P., & Fernando, C. S. (2020). Corporate social responsibility versus corporate shareholder responsibility: A family firm perspective. *Journal of Corporate Finance*, *61*, Article 101370. https://doi.org/10.1016/j.jcorpfin.2018.05.003

Albanez, T., & Schiozer, R. (2022). The signaling role of covenants and the speed of capital structure adjustment under poor creditor rights: evidence from domestically and cross-listed firms in Brazil. *Journal of Multinational Financial Management*, *63*, Article 100704. https://doi.org/10.1016/j.mulfin.2021.100704

Amin, M., Najmudin, N., & Yunanto, A. (2019). Analysis of the effect of capital structure on firm value in banks listed on the IDX. *ICORE*, *5*(1), 840–847. http://jp.feb.unsoed.ac.id/index.php/Icore/article/viewFile/1762/1692

Ayuba, H., Bambale, A. J., Ibrahim, M. A., & Sulaiman, S. A. (2019). Effects of financial performance, capital structure and firm size on firms' value of insurance companies in Nigeria. *Journal of Finance, Accounting and Management*, *10*(1), 57–74. https://gsmi-ijgb.com/wp-content/uploads/JFAM-V10-N1-P05-Habibu-Ayuba-Financial-Performance.pdf

Behringer, S., Ulrich, P., & Unruh, A. (2019). Compliance management in family firms: A systematic literature analysis. *Corporate Ownership & Control, 17*(1), 140–157. https://doi.org/10.22495/cocv17i1art13

Brahem, E., Depoers, F., & Lakhal, F. (2021). Family control and corporate social responsibility: The moderating effect of the board of directors. *Management international*, *25*(2), 218–238. https://doi.org/10.7202/1077793ar

Chadha, S., & Seth, H. (2021). Ownership structure and capital structure: A panel data study. *International Journal of Business Innovation and Research (IJBIR)*, *24*(3), 385–396. https://doi.org/10.1504/IJBIR.2021.113515

Fortuna, F., Ciaburri, M., Testarmata, S., & Tiscini, R. (2020). CSR reporting and ownership structure: Evidence from Italian listed companies. *Corporate Ownership & Control, 17*(3), 146–157. https://doi.org/10.22495/cocv17i3art11

Jouirou, M., & Lakhal, F. (2020). Voluntary disclosure and free cash flow in family French firms [Special issue]. *Corporate Ownership & Control, 17*(4), 391–398. https://doi.org/10.22495/cocv17i4siart15

Kanakriyah, R. (2020). Dividend policy and companies' financial performance. *The Journal of Asian Finance, Economics and Business*, *7*(10), 531–541. https://doi.org/10.13106/jafeb.2020.vol7.no10.531

Katharina, N., Wijaya, A., Juliana, & Avelina, V. (2021). Influence capital structure, liquidity, size the company, debt policy and profitability towards corporate value on property company, real estate and building construction listed on the Stock Exchange Indonesia period 2016-2019. *Budapest International Research and Critics Institute-Journal (BIRCI-Journal)*, *4*(2), 2241–2256. https://doi.org/10.33258/birci.v4i2.1919

Kurniawan, A. (2021). Analysis of the effect of return on asset, debt to equity ratio, and total asset turnover on share return. *Journal of Industrial Engineering & Management Research*, *2*(1), 64–72. https://www.jiemar.org/index.php/jiemar/article/view/114/89

Laksana, R. D, Mayasari, V., & Setyanto, R. P. (2020). Model of disorientation and disqualification of peripheral services in public services on local government device work units in Central Java, Indonesia. *WSEAS Transaction on Business and Economics*, *17*, 842–848. https://doi.org/10.37394/23207.2020.17.82

Malini, H., & Giovandi, H. (2022). The impact of the United States of America and China export rate setting on wealth and liquidity of shareholders. *Sriwijaya International Journal of Dynamic Economics and Business*, *5*(4), 311–324. https://doi.org/10.29259/sijdeb.v5i4.311-324

Mawardi, W., Mahfudz, Laksana, R. D., Shaferi, I. (2022). *Risk hazard of baniking in emerging countries. WSEAS Transaction on System, 21*, 372–381. https://wseas.com/journals/systems/2022/a825107-2045.pdf

Melesse, W. E., Berihun, E., Baylie, F., & Kenubeh, D. (2021). The role of public policy in debt level choices among small-scale manufacturing enterprises in Ethiopia: Conditional mixed process approach. *Heliyon*, *7*(12), Article e08548. https://doi.org/10.1016/j.heliyon.2021.e08548

Pindado, J., & Requejo, I. (2014). Family business performance from a governance perspective: A review of empirical research. *International Journal of Management Reviews, 7*(13), 279–311. https://doi.org/10.1111/ijmr.12040

Pinto, G., Rastogi, S., Kadam, S., & Sharma, A. (2020). Bibliometric study on dividend policy. *Qualitative Research in Financial Markets*, *12*(1), 72–95. https://doi.org/10.1108/QRFM-11-2018-0118

Quarato, F., Pini, M., & Positano, E. (2020). The impact of digitalization on the internationalization propensity of Italian family firms. *Corporate Ownership & Control, 17*(3), 92–107. https://doi.org/10.22495/cocv17i3art7

Setiawan, D., Taib, F., Phua, L. K., & Chee, H. K. (2020). IFRS, family ownership and earnings management in the Indonesian banking industry. *International Journal of Economics and Management, 14*(2), 233–245. http://www.ijem.upm.edu.my/vol14no2/5.%20IFRS,%20FAMILY%20OWNERSHIP.pdf

Siregar, Q. R., & Harahap, D. D. (2021). Influence current ratio, debt to equity ratio and total asset turnover on return on equity in the transportation sector industry. *International Journal of Business Economics (IJBE)*, *2*(2), 99–112. https://doi.org/10.30596/ijbe.v2i2.6644

Wei, Z., Wu, S., Li, C., & Chen, W. (2011). Family control, institutional environment and cash dividend policy: Evidence from China. *China Journal of Accounting Research, 4*(1–2), 29–46. https://doi.org/10.1016/j.cjar.2011.04.001