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The Influence of Family Ownership on Dividend Policy Moderated by Corporate Governance in Manufacturing Companies Listed on the Indonesia Stock Exchange

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ABSTRACT

This study examines the influence of family ownership on dividend policy, moderated by corporate governance practices. Family ownership, a dominant structure in Indonesian companies, prioritizes family welfare and often leads to agency conflicts, particularly Type II agency conflicts between majority family shareholders and minority shareholders. Using a sample of manufacturing companies listed on the Indonesia Stock Exchange, this research analyzes the relationship between family ownership and the dividend payout ratio while incorporating corporate governance mechanisms as a moderating variable. Corporate governance is proxied by board independence, institutional ownership, and board size to enhance transparency and reduce conflicts of interest. Only board size does significantly moderate the effect of family ownership on dividend policy. The findings reveal that family ownership has a positive but insignificant effect on dividend policy. However, corporate governance mechanisms significantly enhance dividend policy by balancing the interests of majority and minority shareholders, reducing moral hazard, and improving monitoring processes. This study contributes to understanding how governance structures mediate the relationship between ownership concentration and financial policy, providing valuable insights for stakeholders in developing effective governance frameworks.

INTRODUCTION

Family controlled businesses dominate the majority of corporate landscape in Indonesia (Joni et al., 2020). Family ownership plays a significant role in the country's economy, with the majority of large enterprises being family-owned and operated. These companies contribute substantially to national revenue, making family ownership a critical factor in shaping economic dynamics and growth. Family businesses are typically characterized by ownership, management, and control concentrated within specific family members or a few prominent families. A defining feature is the pyramid-based ownership structure, where the majority of shares are held by the founders or their descendants, granting families significant control over strategic corporate decisions (Madyan et al., 2019). Notable

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examples of prominent family businesses in Indonesia include Salim Group, Bakrie, Sinar Mas, Gudang Garam, Djarum, Sampoerna, and Wings Group.

The primary characteristic of family firms is their focus on long-term sustainability, especially in preserving family assets and well-being. Their priorities often include intergenerational wealth transfer and maintaining the family's reputation in the market. Family members are frequently involved in managing the company, contributing loyalty and high dedication. In terms of organizational structure, ownership is generally concentrated among close family members, with decision-making processes often dominated by the family. This setup results in shorter bureaucratic paths compared to other public companies. However, strategic decision making remains dependent on mutual agreement among family members, which can sometimes lead to challenges, particularly generational differences. Sievinen et al. (2020) emphasize that family firm owners who hold board positions can significantly influence the strategic renewal of their businesses, both through boardroom deliberations and informal interactions. Discussions on family firm governance, including board roles, family participation in decision-making, and the relationship between owners and managers, have been prominent in this journal in recent years (Lohe & Calabrò, 2017; Sanchez Famoso et al., 2019; Yoo & Jung, 2015). The broader literature suggests that even when not directly involved in daily operations, family firm owners still play a crucial role in shaping key business decisions.

In the context of dividend policy, family ownership often exerts significant influence. As majority shareholders, families have the power to decide how much profit will be distributed to shareholders. Followed by research from Deslandes, et.al (2015) and Iqbal, et.al (2018) found that shareholding structure significantly impacts corporate dividend policies. During general meetings of shareholders, family members as majority owners often dominate decisions regarding dividend distribution. However, this may not always benefit minority shareholders. Type II agency conflicts frequently arise in family businesses, involving disagreements between majority shareholders (families) and minority shareholders (Kusumadewi & Wardhani, 2020). These conflicts may result in lower dividend payouts (Mulyani et al., 2016, Yousaf et al., 2019), as families tend to retain profits within the company for their long-term interests (Miqdad & Setiawan, 2020). On the other hand, Ayu & Viverita (2020) revealed that family businesses are inclined to distribute dividends more consistently and in higher amounts than non-family firms, often to preserve their reputation among external shareholders.

A critical challenge for family businesses is agency issues, particularly when conflicts arise between agents (managers) and principals (shareholders). In family firms, agency problems often manifest as moral hazard, where managers who are not family members may prioritize personal interests over the company's goals (Rahayu, 2018). To mitigate these risks, family businesses frequently strengthen internal and external monitoring mechanisms, including implementing corporate governance principles. Effective corporate governance is considered essential to balancing the interests of majority and minority shareholders while enhancing transparency and accountability in corporate management.

This study focuses on family businesses in the manufacturing sector in Indonesia, using data from companies listed on the Indonesia Stock Exchange (IDX). The manufacturing sector was chosen due to the prevalence of family-controlled firms compared to other industries. Previous research shows inconsistent findings regarding the relationship between family ownership structure and dividend policy. Endraswati & Novianti (2015) suggest that these inconsistencies could be explained by introducing moderating variables, such as corporate governance practices. However, only a limited number of studies have explored how specific aspects of corporate governance interact with family ownership in shaping dividend policy decisions, particularly within the context of emerging markets like Indonesia. Therefore, this study incorporates corporate governance as a moderating factor, proxied by Board of Independence (BOI), Institutional Ownership (IO), and Board Size. These indicators were selected for their significant role in reducing agency conflicts and improving decision-making quality in family firms. The novelty of this study lies in its integrative approach that combines ownership structure and multiple governance mechanisms to provide a more comprehensive understanding of dividend policy behavior in Indonesian family-owned manufacturing companies.

The Board of Independence (BOI) serves as a crucial corporate governance mechanism to mitigate Type II agency conflicts. Poniman et al. (2018) found that independent boards help balance the interests of majority and minority shareholders, leading to more equitable decisions. Institutional Ownership (IO) also acts as a strong external control mechanism. Institutional investors are generally rational and focused on long-term corporate performance, encouraging more optimal dividend policies (Bataineh, 2020). Additionally, Board Size influences dividend policies, as larger boards often provide better oversight of corporate management. Roy (2015) found that larger boards improve corporate efficiency and encourage higher dividend payouts.

Dividends represent the distribution of company profits to shareholders based on their shareholding. Dividend policies are influenced by several factors, including the company's cash position, debt obligations, expansion needs, and the preferences of majority shareholders. In family businesses, dividend decisions often reflect the family's long-term interests, which may differ from the preferences of minority shareholders. Hence, corporate governance practices are essential to ensure dividend policies fairly accommodate all stakeholders.

This research aims to examine the influence of family ownership on dividend policy in manufacturing companies listed on the IDX in 2019, with corporate governance as a moderating variable. The findings are expected to contribute to the literature on the role of corporate governance in moderating the relationship between family ownership and dividend policy. Additionally, the study aims to provide practical recommendations for family businesses in Indonesia to improve transparency, accountability, and efficiency in corporate management. Thus, the research is relevant not only for academics but also for business practitioners and policymakers seeking to understand the dynamics of family businesses in the Indonesian economic context.

Research hypothesis

H1: Board of Independent (BOI) moderates the influence of Family Ownership on dividend policy.

H2: Institutional Ownership (IO) moderates the influence of Family Ownership on dividend policy.

H3: Board Size (BS) moderates the influence of Family Ownership on dividend policy.

MATERIALS AND METHODS

The primary objective of this study is to examine the impact of family ownership on dividend policy and assess how corporate governance moderates this relationship. By focusing on the manufacturing sector, this research aims to contribute to the understanding of how ownership structure and governance mechanisms influence financial decision-making in Indonesian companies.

This study, carried out in 2019, targeted manufacturing firms listed on the Indonesia Stock Exchange (IDX). Judging from its purpose, this study is a quantitative research type that aims to analyze the relationship between family ownership, corporate governance, and dividend policy. The research relies on secondary data extracted from financial statements, which were retrieved from the official IDX website (<https://www.idx.co.id/>). The year 2019 was selected as it represents the most recent period prior to the global COVID-19 pandemic, which significantly altered corporate financial behavior and governance practices. Using data from 2019 allows for the analysis of firm behavior under normal economic conditions, providing a clear baseline for understanding the structural relationship between ownership, governance, and dividend policy without the distortion of crisis-related factors. Despite being conducted in 2019, the findings remain relevant in 2025, as the core mechanisms of family ownership and governance structures tend to evolve slowly and continue to influence corporate policy decisions over time, especially in emerging markets like Indonesia.

The data for this study comprises financial statements from manufacturing companies listed on the IDX. The sampling technique employed is purposive sampling, which results in a total of 30 companies being selected as the research sample. The selection of these companies is based on the following criteria:

1. Companies that have published complete annual reports for the year 2019, containing the required variables for analysis.
2. Companies with at least 25% family ownership, as referenced in previous research (Ing et al., 2020; Schweiger et al., 2024).

The list of sample companies includes PT Alkindo NaratamaTbk, PT Argha Karya Prima Industry Tbk, and PT Arwana CitramuliaTbk, among others. This data is summarized in Table 1, which outlines the sample characteristics.

Table 1
List of Sample

No	Nama Perusahaan Manufaktur
1	PT. Alkindo NaratamaTbk
2	PT. Pabrik Kertas Tjiwi Kimia Tbk
3	PT. Indah Kiat Pulp & Paper Tbk
4	PT. Argha Karya Prima Industry Tbk
5	PT. Sinergi Inti Plastindo Tbk
6	PT. Impack Pratama Industri Tbk
7	PT. Panca Budi IdamanTbk
8	PT. Arwana CitramuliaTbk
9	PT. Surya Toto Indonesia Tbk
10	PT. Charoen Pokphand Indonesia Tbk
11	PT. Duta Pertiwi Nusantara Tbk
12	PT. Budi Starch dan Sweetener Tbk
13	PT. Indo Acidatama TBK
14	PT. Madusari Murni Indah Tbk
15	PT. Indal Alumunium Industry Tbk
16	PT. Campina Ice Cream industry Tbk
17	PT. Garudafood Putra Putri Jaya Tbk
18	PT. Buyung Poetra SembadaTbk
19	PT. Mulia Boga Raya Tbk
20	PT. Mayora Indah Tbk
21	PT. Ultrajaya Milk Industry &Tading Company Tbk
22	PT. Chitose Internasional Tbk
23	PT. Tempo Scan Pacific Tbk
24	PT. Pyridam Farma Tbk
25	PT. Wismilak Inti Makmur Tbk
26	PT. Kino Indonesia Tbk
27	PT. Selamat Sempurna Tbk
28	PT. Trisula Textile Industries Tbk
29	PT. PAN Brother Tbk
30	PT. Kabelindo Murni Tbk

Source : IDX, processed by the author, 2021

The materials used in this research include financial data such as total liabilities, total equity, current assets, and current liabilities, which are essential for calculating ratios and conducting the analysis. The variables are operationalized using the following formulas: Debt to Equity Ratio (DER) is calculated as total liabilities divided by total equity. Current Ratio (CR) is determined by dividing current assets by current liabilities.

Table 2. Variable Instrument

Variabel	Definision	Indicator
Dividend Policy (Y)	Management's policy in deciding how much cash will be distributed as dividends or reinvested into the business.	a. Firm Size b. Profitability (Madyan et a.l, 2019 dan Poniman et al., 2018)
Family Ownership (X)	Ownership of a company by family members or a group of individuals with familial ties, where the family often holds the largest shareholding.	a. Concentrated Family Ownership b. Long-term Investors c. Tendency to be Risk Averse d. Family in Top Management (Sah et al., 2022; Yuan, 2019)
Corporate Governance (Z)	Corporate governance practices that maintain a balance in fulfilling the interests of all stakeholders.	a. Board of Independence b. Institusional Ownership c. Board Size (Madyan et al., 2019; Poniman et al., 2018; Roy, 2015)

The data analysis process begins with descriptive statistics to provide an overview of the dataset. Following this, classical assumption tests are conducted, including normality tests,

autocorrelation tests, heteroscedasticity tests, and multicollinearity tests, to ensure the validity of the regression model.

To test the first hypothesis, the following analytical model is used:

$$DPR = \alpha + \beta_1 FO + \beta_4 BOI + \beta_7 FO * BOI + \beta_2 SIZE + \beta_3 ROA + \varepsilon \dots\dots\dots(1)$$

Meanwhile, to test the second hypothesis, the following analytical model is used:

$$DPR = \alpha + \beta_1 FO + \beta_5 IO + \beta_8 FO * IO + \beta_2 SIZE + \beta_3 ROA + \varepsilon \dots\dots\dots(2)$$

To test the third hypothesis, the following analytical model is used:

$$DPR = \alpha + \beta_1 FO + \beta_6 BS + \beta_9 FO * BS + \beta_2 SIZE + \beta_3 ROA + \varepsilon \dots\dots\dots(3)$$

Description:

DPR : Dividend Payout Ratio
FO : Family Ownership
BOI : Board of Independence
IO : Institutional Ownership
BS : Board Size
SIZE : Firm Size
ROA : Return on Assets
 α : Constant
 β : Coefficient of each variable
 ε : Error term

Data is processed using SPSS version 25 to ensure accurate and efficient calculations. SPSS is selected due to its reliability and widespread use in social science and business research, particularly for handling quantitative data and regression-based models. The analysis begins with descriptive statistics, followed by classical assumption tests, including multicollinearity test (Tolerance and VIF), normality test (Kolmogorov-Smirnov), heteroscedasticity test (Scatterplot), autocorrelation test (Run Test) and concludes with multiple regression analysis to evaluate the relationships between variables. Regression analysis is chosen because the research model involves multiple independent and moderating variables that influence the dependent variable. SPSS is considered sufficient for this type of analysis, as it provides robust tools for running linear regression with interaction terms (moderation), testing assumptions, and interpreting the statistical significance of coefficients. This research uses cross-sectional data and a linear moderation model, SPSS provides adequate support for all analytical needs.

RESULTS AND DISCUSSION

This study utilizes four classic assumption tests: Multicollinearity Test (Tolerance and VIF), Normality Test (Kolmogorov-Smirnov), Heteroscedasticity Test (Scatterplot), Autocorrelation Test (Run Test)

Multicollinearity Test

The tolerance value is calculated to ensure no strong linear relationship among the independent variables. A tolerance value of less than 0.1 suggests the presence of significant multicollinearity. Variance Inflation Factor (VIF) values exceeding 10 also suggest problematic multicollinearity. The results show that all variables have tolerance values > 0.1 and VIF values < 10, confirming no multicollinearity issues.

Tabel 3
Multicollinearity Test

Model	Collinearity Statistics	
	Tolerance	VIF
1 (Constant)		
FO	0,898	1,114
BOI	0,720	1,388
IO	0,846	1,181
BS	0,643	1,556
SIZE	0,695	1,440
ROA	0,914	1,094

Source: processed by the author, 2021

Normality Test

The Kolmogorov-Smirnov test is used to verify the normality of residuals. A p-value exceeding 0.05 suggests that the residuals adhere to a normal distribution. The results show an asymptotic significance value (2-tailed) of 0.200, which is > 0.05 , confirming that the data is normally distributed.

Table 4
Normality Test
One-Sample Kolmogorov-Smirnov Test

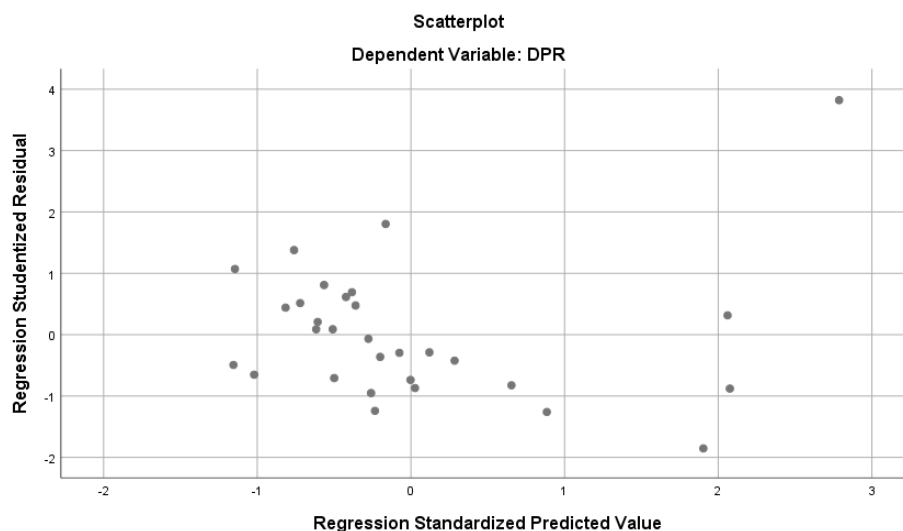
		Unstandardized Residual
N		30
Normal Parameters ^{a,b}	Mean	0,0000000
	Std. Deviation	0,23118707
Most Extreme Differences	Absolute	0,113
	Positive	0,113
	Negative	-0,075
Test Statistic		0,113
Asymp. Sig. (2-tailed)		0,200 ^{c,d}

Source: processed by the author, 2021

Heteroscedasticity Test

The residual scatterplot against predicted values is examined for patterns. The absence of a pattern indicates homoscedasticity, fulfilling the assumption of equal variance. The results show that the points are scattered above and below 0 without forming a specific pattern, confirming no heteroscedasticity.

Figure 1
Heteroscedasticity Test



Source: processed by SPSS, 2021

Autocorrelation Test

The Durbin-Watson statistic is employed to identify autocorrelation, with values between 1.5 and 2.5 indicating no significant autocorrelation. The results show an asymptotic significance value (2-tailed) > 0.05 , specifically 0.193, confirming no autocorrelation among the variables.

Table 5
Autocorrelation Test

Runs Test	
	Unstandardized Residual
Test Value ^a	-0,04127
Cases < Test Value	15
Cases >= Test Value	15
Total Cases	30
Number of Runs	20
Z	1,301
Asymp. Sig. (2-tailed)	0,193

Source: processed by the author, 2021

Hypothesis Testing

Significance Test of Regression Coefficients (t-test) is conducted to determine the significant effect of each independent variable on the Dividend Payout Ratio (DPR) at a significance level of < 0.05. If the p-value for an independent variable is less than the significance level, the variable is considered significant. This study tests three hypotheses regarding the effect of family ownership on dividend policy, moderated by corporate governance variables such as board independence, institutional ownership, and board size. DPR is calculated from annual financial reports, and corporate governance factors are measured based on theoretical and empirical literature to ensure the validity and reliability of the results.

H1 = BOI moderates the effect of Family Ownership on dividend policy.

Table 6
Hypothesis 1 Test

Multiple Regression					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1	(Constant)	0,727	0,702	1,034	0,311
	FO	0,740	0,504	1,467	0,155
	BOI	2,574	1,222	2,107	0,046
	FO_BOI	-3,113	1,956	-1,065	0,125
	SIZE	-0,036	0,020	-0,308	0,092
	ROA	0,001	0,008	0,026	0,876

Source: processed by the author, 2021

The results of the t-test for hypothesis 1 show that the significance value for Family Ownership is 0.155 > 0.05, Board of Independence is 0.046 < 0.05, and FO BOI is 0.125 > 0.05, all of which are greater than 0.05, indicating that the result is not significant. The t-test results show that the significance values for Family Ownership and FO BOI are > 0.05, meaning that hypothesis 1 is rejected. There is no moderating effect between Board of Independence (BOI) and family ownership on dividend policy. This finding is consistent with Subramaniam (2018) that positive family ownership is not significant in the influence of board of independence on dividend policy, in fact the function of the board of independence (Poniman et al, 2018) is to supervise the management team with expertise, experience, and objective views and be able to mitigate different goals between majority and minority shareholders in order to prevent asset expropriation by majority shareholders. However, family shareholders will choose an independent board that agrees to support decisions made by the family. Thus the independent board has no choice but to be loyal to the family controller.

H2 = IO moderates the effect of Family Ownership on dividend policy.

Table 7
Hypothesis 2 Test

Multiple Regression						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,872	0,685		2,735	0,012
	FO	-0,074	0,549	-0,050	-0,134	0,894
	IO	-0,084	0,531	-0,097	-0,158	0,876
	FO_IO	0,071	0,833	0,065	0,086	0,932
	SIZE	-0,052	0,022	-0,443	-2,394	0,025
	ROA	0,001	0,010	0,016	0,083	0,935

Source: processed by the author, 2021

The results of the t-test for hypothesis 2 show that the significance values for Family Ownership are 0.894, Institutional Ownership is 0.876, and FO IO is 0.932, all of which are > 0.05 , indicating that the results are not significant. The significance values for Family Ownership, Institutional Ownership (IO), and FO IO are > 0.05 , meaning that hypothesis 2 is also rejected. There is no moderating effect by IO because most of the institutional ownership in the companies studied is controlled by family or dominant individuals. This explains that the influence of IO is constrained by family control. Institutional ownership in the research object have ownership of more than 5% in institutions is dominant family or individual ownership, so that the influence of IO also returns to the influence of the family. Institutional ownership of less than 5% becomes a minority shareholder and has no control over dividend policy. According to Atmaja, (2016);Isakof and Weisskopf, (2015) that generally members of the controlling family have most of the wealth invested in the companies they control and they can maintain control over their companies.

H3 = BS moderates the effect of Family Ownership on dividend policy.

Table 8
Hypothesis 3 Test

Multiple Regression						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4,800	1,443		3,325	0,003
	FO	-4,667	2,084	-3,189	-2,239	0,035
	BS	-1,404	0,607	-1,663	-2,313	0,030
	FO_BS	2,203	0,990	3,459	2,226	0,036
	SIZE	-0,051	0,023	-0,440	-2,255	0,034
	ROA	-0,003	0,009	-0,057	-0,336	0,740

Source: processed by the author, 2021

The results of the t-test for hypothesis 3 show that the significance values for Family Ownership is 0.035, Board Size is 0.030, and FO BS is 0.036, all of which are < 0.05 , indicating that the results are significant. The significance values for Family Ownership, Board Size (BS), and FOBS are < 0.05 , indicating a significant result, meaning that hypothesis 3 is accepted. Board size has a moderating effect on the relationship between family ownership and dividend policy, where a larger board and the appropriate proportion of board members can reduce the misuse of family control (Subramaniam, 2018).

Based on agency theory II, in family-owned companies, conflicts often arise between majority (family) and minority shareholders, especially in strategic decision-making, including dividend policies. Although board independence and institutional ownership are expected to moderate family influence, this study shows that, in practice, both are often ineffective due to strong family dominance.

Effect of Board Independence on Dividend Policy Moderation

The results of the moderated regression analysis (MRA) indicate that board independence does not significantly moderate the relationship between family ownership and dividend policy. Although independent directors are expected to act as neutral parties and protect minority shareholders' interests, the findings suggest that their presence may not be sufficient to counterbalance the influence of majority family shareholders. This may be due to the limited authority or influence of independent directors in family-controlled firms, where decision-making is typically concentrated within the family circle.

For example, at PT Indah Kiat Pulp & Paper Tbk, dominant family ownership allows them to prioritize satisfaction that is considered important for the sustainability of the company, such as investment for business expansion, increasing production capacity, and sustainability projects, rather than focusing on dividend distribution. Although the company still distributes dividends, the dividend decision is more reflective of the family's strategy in maintaining the company's long-term growth and sustainability than the interests of minority shareholders.

This managerial entrenchment hypothesis predicts that entrenched managers will choose lower leverage and leverage will increase as governance improves (Ji et al., 2020). They can drive strategic decisions, their control may also lead to entrenchment, where maintaining power outweighs firm performance. This aligns with entrenchment theory, which suggests that dominant shareholders may prioritize control over shareholder value, affecting corporate governance globally. Even in situations where company leaders are not family members, they often still have to get approval from family members involved in the company, indicating very strong family control. According to Muawanah (2014); Venusita & Agustia (2020), the relationship between family shareholders and independent boards is generally based on trust to maintain the company's long-term goals, and not an agency relationship that prioritizes the interests of outsiders.

In addition, Rimardhani, et.al (2016) research revealed that although the Indonesia Stock Exchange (IDX) requires at least 30% of independent boards in companies, many companies only have around 25%, below the IDX standard. The lack of proportion of independent boards is an additional factor why the BOI is ineffective in moderating family-dominated policies, so that it cannot function optimally as an independent supervisor in companies with strong family ownership.

Effect of Institutional Ownership on Dividend Policy Moderation

Institutional ownership also does not significantly moderate the relationship between family ownership and dividend policy. While institutional investors are known to provide external monitoring and ensure alignment with shareholder interests, their influence is reduced in family-owned companies. The majority control held by family shareholders may overshadow institutional investors' ability to advocate for higher dividend payouts or influence strategic decisions, resulting in an insignificant moderating effect.

For example, in PT Kabelindo Murni Tbk, although institutional ownership has significant shares, dividend policy is still largely controlled by the controlling family. In 2019, even though the company faced a decline in profits due to strict regulations in the energy sector and other external challenges, the company still chose to distribute dividends to shareholders. However, some of the profits were also retained to support a major investment plan in the national electricity project, namely the 35,000 MW power plant megaproject. In this case, institutions that own shares in the company actually support the reinvestment decision which is considered strategic by the family to maintain the sustainability of the company, even though at the same time there are external pressures that reduce profits.

Previous research emphasized that in companies with strong family ownership, decisions such as dividend policy are more often influenced by the interests of the controlling family than by institutions that should act as independent supervisors. In family-owned enterprises, the role of institutions is frequently constrained due to their close affiliations with the controlling family. The family's influence tends to be deeply embedded across generations, shaping both limitations and opportunities for its members. Whether in the founding or successor generations, the behavior and decision-making of family leaders are often shaped by institutional forces (Monticelli et al., 2020). When the family ownership structure is very dominant, both the Board of Independent Commissioners (BOI) and institutional ownership (IO) often have difficulty balancing or directing dividend policy towards more measured decisions or those that prioritize the company's long-term sustainability.

Effect of Board Size on Dividend Policy Moderation

Board size does significantly moderate the effect of family ownership on dividend policy. Larger boards are often associated with diverse perspectives and improved governance, in family owned firms, this diversity may not always translate into substantial changes in dividend policy. This is because family dominance on the board can dilute the potential benefits of a larger board, as decisions regarding dividend payouts are often made in favor of the majority family shareholders. This tendency becomes more pronounced when a family member assumes the role of CEO and simultaneously holds significant control over the company (Setiawati et al., 2022). In research Kilincarslan (2021) also suggested that larger board sizes in Turkish family firms lead to higher dividend payouts as a way to offset weak monitoring mechanisms.

A larger board plus the right proportion of the board can moderate the influence of family ownership on dividend policy so that board size can be used to weaken the abuse of family ownership control. And a larger board can also offer better monitoring. In line with research from Roy, (2015), which found that board size, independent directors on a board and the proportion of non-executive directors on the board have a significant impact on corporate policy. The results show a positive dividend policy, this has an effect on shareholders who are well protected and good allocation will withstand the risk of default. In line with resource dependence theory, this theory argues that a larger board provides access to more resources, views, and the ability to carry out better supervision. With a larger board, the company has more independent viewpoints and stronger supervision, which can limit family dominance and encourage more balanced decisions. Larger board sizes allow for better oversight of dividend decisions, and families may be forced to pay higher dividends to mitigate potential conflicts with other shareholders. These findings suggest that dividend distribution can be used as a policy to reduce agency problems in public companies.

When the board size is larger, the ability to provide effective oversight increases (Roy, 2015). More board members mean more individuals who can provide different perspectives and exercise tighter control over strategic decisions such as dividend payments. Adequate board size can moderate the influence of family ownership on dividend policy by increasing the involvement and influence of minority shareholders during the AGM. This has the potential to lead to fairer and more balanced dividend decisions, which not only benefit the family but also protect the interests of other shareholders. Conversely, board independence and institutional ownership may fail because family dominance is still too strong in decision-making, and both are only formal mechanisms that do not function effectively in family business structures (Isakof & Weisskopf, 2015; Subramaniam, 2018). The results of this study indicate that corporate governance in a family ownership structure often requires more aspects of oversight to balance the dominant influence of the family, and a large board size can be one solution for more accountable corporate governance.

Many companies in Asia have a strong family ownership structure, where the family is not only a shareholder but also involved in management. Previous research shows that companies with family ownership tend to face challenges in implementing effective corporate governance (Muntahanah et.al, 2021). Good proxies for corporate governance in this context include board size, independent board composition, and institutional shareholder involvement. Good corporate governance implementation can create a structure that supports dividend policy, ensuring that the interests of minority shareholders are protected. One of them is in the study by Rehman and Hashim, (2018), which investigated how board size can moderate the relationship between corporate governance and company performance in Malaysia. The results showed that board size has a significant effect on company performance, where a larger board can improve the effectiveness of supervision and better decision-making. This study also showed that companies with larger board sizes have a better capacity to handle conflicts of interest, which are major challenges in family ownership structures.

These findings reinforce entrenchment theory, which argues that family shareholders often dominate the direction of company policies, including decisions on dividends. While oversight from board of independence (BOI) and institutional ownership (IO) is expected, these mechanisms are not always effective when family control is deeply entrenched in decision-making processes. This underscores the importance of increasing board size as a means to improve governance and ensure a more balanced approach to dividend policy in family-controlled companies.

CONCLUSIONS AND SUGGESTION

The findings of this study reveal that corporate governance mechanisms, specifically board independence and institutional ownership do not significantly moderate the relationship between family ownership and dividend policy. Only board size demonstrates a significant moderating effect, suggesting that governance structures alone may not be sufficient to mitigate agency conflicts in family controlled firms within the Indonesian manufacturing sector. These results point to the limited effectiveness of formal governance mechanisms in influencing dividend decisions when strong family control is present.

This study, however, has several limitations. First, the data used are limited to a single year (2019), which may not reflect dynamic changes over time or account for external shocks such as the COVID-19 pandemic. Second, the research is confined to the manufacturing sector, which restricts the generalizability of the findings across different industries. Third, the study employs structural proxies to measure governance quality, which may not capture the actual effectiveness of governance practices.

Future research is encouraged to use panel data spanning multiple years, incorporate a broader range of industries, and explore alternative moderating variables such as regulatory enforcement, shareholder activism, or cultural dimensions of governance. The implications of this study suggest that regulators should strengthen minority shareholder protections and encourage more effective governance practices. Meanwhile, family firms should not rely solely on formal governance mechanisms but should also build a governance culture that balances family interests with broader stakeholder expectations.

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