Volume 5 Nomor 1 Ed. 2023 : page 11-18
p-ISSN: 2686-262X e-ISSN : 2685-9300
DOI : 10.24256

# Financial Performance, Capital Structure, and Company Value Comparison

**Clara Neltje Meini Rotinsulu**
Universitas Tompotika Luwuk Banggai
clararotinsulu@gmail.com

## Abstract

The goal of this study is to compare the financial performance, capital structure, and firm values of family versus non-family firms listed on the Indonesia Stock Exchange between 2020 and 2022. In this study, purposeful sampling was used, and data was analyzed using a pairwise sample methodology, comparing family and non-family firms. There is no difference in finance performance as measured by sales growth, sales, return on assets (ROA), return on equity (ROE), gross profit margin (GPM), and net profit margin (NPM), according to the findings of this study, but there are significant differences in total asset turnover (TATO). According to the capital structure, there is no difference in firm value as proxied by earnings per EPS share between family and non-family firms.

**Keywoards**: Family and Non-Family Firms Finance Performance CapitalFirm Value Structure

## INTRODUCTION

Based on ownership, companies are divided into two groups, namely family companies managed by the family (Kets de Vries, 1993) and non-family companies managed by the state (Claessens et al., 2000). Based on a report from Pricewater House Coopers in 2014 that 95% of businesses in Indonesia are family companies and this is common because it is managed purely and develops with a concentration of family ownership (Niki, 2016). The size of the company also varies, ranging from companies that consist of several holdings to companies that are in the form of megacorporations (Granado-Peiró & López-Gracia, 2017). More, Granado-Peiro & López-Gracia (2017) says that family companies cannot survive long or in other words only 30% of companies can survive for 50 years. Agency theory illustrates that the level high family ownership of a company will provide better performance (Meckling, 1976).

Then McConaughy et al. (1998) stated that family and non-family managed financial behavior had significant differences using a trade-off approach. Furthermore, Andres (2008) argues that agency costs in family firms can be reduced and this increases company performance. This is inversely proportional to the statement from Schulze et al. (2001) that altruism or being concerned with the interests of others is present in family companies, which has an impact on decreasing the value of the company and also causing high agency costs. This is supported by Oswald et al. (2009) that there is a negative relationship between companies with family ownership and the company's performance. Companies managed by family ownership have a high level of profitability and operational efficiency and shares of companies

Volume 5 Nomor 1 Ed. 2023 : page 11-18
p-ISSN: 2686-262X e-ISSN : 2685-9300
DOI : 10.24256

with family ownership are more attractive to investors (Goldberg, 1991). Allouche et al. (2008) said that companies managed by families have better performance, including in the financial structure. Company management needs to be carried out properly so that it is in accordance with the company's goals, which is not only to pursue profits, but also to maintain the continuity of the company's business (Christian & Sulistiyani, 2021).

## RESEARCH METHODS

### Population, Sample, and Sampling Technique

This study uses a population of family companies and non-family companies listed on the Indonesia Stock Exchange (IDX) for the period 2017 to 2019, totaling 86 companies. The sampling technique used purposive sampling technique. Criteria established for sampling firms families, including companies with a chief executive officer (CEO) or founders consisting of family members and listed on the IDX, operating in the manufacturing sector, and publishing financial reports. While the criteria set for sampling non-family companies include companies with CEOs or founders who are not part of the family, operate in the manufacturing sector, and publish financial reports on the IDX. Based on the selection that has been made, 56 companies are obtained as a research sample.

### Data Collection Techniques

The sampling technique in this study was purposive sampling taken from the IDX with data collection techniques based on the following criteria:

1. Public companies with a founding CEO or members of the founding companies and ownership of the company either individually or in family partnerships
2. The company publishes financial reports
3. The company provides the necessary data for this research analysis.
4. Non-family firms with CEOs not members of the founding family as a comparison sample for family firms.

### Data analysis method

The data analysis method in this study uses steps such as combining a sample of a family company with non-family companies in a comparable industry. After the samples have been combined, the proxies for the paired samples are calculated. The next step is to calculate the difference between family and non-family firms with an alpha of 5%.

Next is data testing using the SPSS application which begins with a data normality test using the Kolmogorov Smirnov (KS) test by looking at the suitability between frequency and the expected frequency observation results with an alpha of 5%. If the KS value is > 5%, then the data is said to be normally distributed, but if the KS value is > 5%, then the data is declared to be not normally distributed. After the normality test is carried out, the next step is to test the hypothesis using parametric and non-parametric tests with the Paired Sample T-Test (T Test) and the Wilcoxon Signed Rank Test. If the P-Value

Volume 5 Nomor 1 Ed. 2023 : page 11-18
p-ISSN: 2686-262X e-ISSN : 2685-9300
DOI : 10.24256

shows a value < 5%, then the data indicates a difference, and vice versa.

## RESULTS AND DISCUSSION

### Normality test

**Table 1. Normality Test Results**

| Indicator | Kolmogorov Smirnov value | Conclusion |
|---|---|---|
| Sales Growth (Family Company) | 0.196 | Normal |
| Sales Growth (Non-Family Company) | 0.065 | Normal |
| Sales/Workers (Family Company) | 0.000 | Abnormal |
| Sales/Workers (Non-Family Company) | 0.000 | Abnormal |
| *Return On Assets*(ROA) (Family Company) | 0.021 | Normal |
| *Return On Assets*(ROA) (Non-Family Company) | 0.146 | Normal |
| *Return On Equity*(ROE) (Family Company | 0.200 | Normal |
| *Return On Equity*(ROE) (Non-Family Company) | 0.200 | Normal |
| *Gross Profit Margins*(GPM) (Family Company) | 0.015 | Normal |
| *Gross Profit Margins*(GPM) (Non-Family Company) | 0.000 | Abnormal |
| *Net Profit Margins*(NPM) (Family Company) | 0.200 | Normal |
| *Net Profit Margins*(NPM) (Non-Family Company) | 0.200 | Normal |
| *Total Asset Turn Over*(TATO) (Family Company) | 0.057 | Normal |
| *Total Asset Turn Over*(TATO) (Non-Family Company) | 0.001 | Abnormal |
| *Inventory Turnover*(Family company) | 0.000 | Abnormal |
| *Inventory Turnover*(Non-Family Company) | 0.001 | Abnormal |
| Working Capital/Sales (Family Company) | 0.000 | Abnormal |
| Working Capital/Sales (Non-Family Company) | 0.000 | Abnormal |
| *Debt to Total Asset Ratio*(DAR) (Family Company) | 0.054 | Normal |
| *Debt to Total Asset Ratio*(DAR) (Non-Family Company) | 0.200 | Normal |
| *Debt to Total Equity Ratio*(DER) (Family Company) | 0.000 | Abnormal |
| *Debt to Total Equity Ratio*(DER) (Non-Family) | 0.000 | Abnormal |
| *Earning Per Share*(EPS) (Family Company) | 0.000 | Abnormal |

Volume 5 Nomor 1 Ed. 2023 : page 11-18
p-ISSN: 2686-262X e-ISSN : 2685-9300
DOI : 10.24256

| | | |
|---|---|---|
| *Earning Per Share*(EPS) (Non-Family Company) | 0.000 | Abnormal |

Source: Processed Secondary Data (2022)

Based on the results of the normality test presented in table 1, it shows that there are 12 indicators that are declared normal and 12 indicators that are declared abnormal. The indicator is declared normal because it has a Kolmogorov-Smirnov (KS) value greater than 5% or 0.05.

**Hypothesis Test Results**

**Table 2. Difference Test Results**

| Indicator | P-Value | Conclusion |
|---|---|---|
| Sales Growth | 0.260 | No difference |
| Sales/Workers | 0.011 | No difference |
| *Return On Assets*(ROA) | 0.825 | No difference |
| *Return On Equity*(ROE) | 0.098 | No difference |
| *Gross Profit Margins*(GPM) | 0.470 | No difference |
| *Net Profit Margins*(NPM) | 0.823 | No difference |
| *Total Asset Turn Over*(TATTOO) | 0.007 | There is a difference |
| *Inventory Turnover* | 0.085 | No difference |
| Working Capital/Sales | 0.015 | There is a difference |
| *Debt to Total Asset Ratio*(DAR) | 0.107 | No difference |
| *Debt to Total Equity Ratio*(DER) | 0.294 | No difference |
| *Earnings Per Share*(EPS) | 0.391 | No difference |

Source: Processed Secondary Data (2022)

Based on the results of the hypothesis testing presented in table 2, it shows that there are 2 indicators which state that there is a difference and 10 indicators which state that there is no difference. The indicator states that there is a difference because it has a p-value of less than 5% or 0.05.

**Discussion**

Based on the results of the analysis that has been carried out to prove that the financial performance between family and non-family companies shows that there is no significant difference with the proxy for sales growth, sales or employees, return on assets (ROA), return on equity (ROE), gross profit margin (GPM), net profit margin (NPM). However, the test results prove that there is a significant difference in total asset turnover (TATO), so that the average proxy for financial performance shows no difference in the financial performance of family and non-family companies which indicates the financial performance of companies controlled by families or not. families have the same

Volume 5 Nomor 1 Ed. 2023 : page 11-18
p-ISSN: 2686-262X e-ISSN : 2685-9300
DOI : 10.24256

performance. This is supported by research conducted by Nugroho et al. (2017).

Then, the results of the analysis on the capital structure of family and non-family firms proxied by the debt to total asset ratio (DAR) and debt to total asset ratio (DER) show no difference, but there is a difference in one significant proxy, namely working capital. or sales. Based on these results, the proxy for capital structure shows no difference in the capital structure of family firms and non-family firms. Next, the value of family and non-family firms based on the analysis results shows that there is no significant difference between family firms and non-family firms. This is supported by research conducted by Nugroho et al. (2017).

## CONCLUSIONS AND RECOMMENDATIONS

### Conclusion

Based on the data analysis that has been done previously, it can be concluded that: First, the results of the study indicate that there is no difference in the financial performance of family and non-family firms. Second, the capital structure between family and non-family firms shows that there is no difference in the capital structure of family and non-family firms. Third, the value of family and non-family firms shows that there is no difference between family firms and non-family firms.

### Suggestion

Based on the results of the research described above, the suggestions that can be given in this study are:

This study has a limited number of samples used and uses only one manufacturing sector, so future research can take a larger sample using other than the manufacturing sector, such as the retail sector or can take all companies listed on the Indonesia Stock Exchange (IDX). Subsequent studies can also perform different tests using variables other than those tested in this study, such as control variables such as managerial ownership.

Subsequent research besides using agency theory can use other theories such as entrenchment for results that better reflect the actual situation.

## REFERENCE

Allouche, J., Amann, B., Jaussaud, J., & Kurashina, T. (2008). The Impact of Family Control on the Performance and Financial Characteristics of Family Versus Nonfamily Businesses In Japan: A Matched-Pair Investigation. *Family Business Review*, *21*(4).

Andres, C. (2008). Large Shareholders and Firm Performance-An Empirical Examination of Founding-Family Ownership. *Journal of Corporate Finance*, *14*(4).

Black, F. (1996). The Dividend Puzzle. *Journal of Portfolio Management*, *SUPPL*.

Christian, A. R., & Sulistiyani, T. (2021). *Pengantar Manajemen Bisnis - Google Books*.

Volume 5 Nomor 1 Ed. 2023 : page 11-18
p-ISSN: 2686-262X e-ISSN : 2685-9300
DOI : 10.24256

Universitas Ahmad Dahlan PRESS.

Claessens, S., Djankov, S., & Lang, L. H. P. (2000). The Separation of Ownership and Control in East Asian Corporations. *Journal of Financial Economics*, *58*(1–2).

Darmawati, D., Khomsiyah, & Rahayu, R. (2004). Hubungan Corporate Governance Dan Kinerja Perusahaan. *Simposium Nasional Akuntansi (SNA) VII. Bali*.

Goldberg, S. D. (1991). *Factors Which Impact Effective Succession In Small Family-Owned Businesses: An Empirical Study*. University of Massachusetts Amherst.

Gomez-Mejia, L. R., Nuñez-Nickel, M., & Gutierrez, I. (2001). The Role Of Family Ties In Agency Contracts. *Academy of Management Journal*, *44*(1).

Granado-Peiró, N., & López-Gracia, J. (2017). Corporate Governance and Capital Structure: A Spanish Study. *European Management Review*, *14*(1).

Harjito, D. A., Santoso, A. R. C., & McGowan, C. B. (2021). The Effect of Corporate Governance and Corporate Strategy on Family Firm Performance in Indonesia. *Journal of Applied Business Research*, *37*(1).

Hoopes, D. G., & Miller, D. (2006). Ownership Preferences, Competitive Heterogeneity, and Family-Controlled Businesses. *Family Business Review*, *19*(2).

Houston, E. F. B. and J. F. (2019). Fundamentals of Financial Management, Fifteenth edition. In

*Cengage Learning, Inc.*

Husnan, S. (2014). Manajemen Keuangan Teori dan Penerapan (Keputusan Jangka Panjang). In

*None*.

Herawati, A. F., Yusuf, M., Cakranegara, P. A., Sampe, F., & Haryono, A. (2022). Social Media Marketing In The Promotion Of Incubator Business Programs. Jurnal Darma Agung, 30(2), 623-633.

Jenssen, J., Mishra, C., & Randoy, T. (2001). The Effects of Family Influence on Firm Value and Corporate Governance: A Study Of Norwegian Firms. *Journal of International Financial Management and Accounting*, *12*(3).

Kets de Vries, M. F. R. (1993). The Dynamics of Family Controlled Firms: The Good and the Bad News. *Organizational Dynamics*, *21*(3).

McConaughy, D. L., Walker, M. C., Henderson, G. V., & Mishra, C. S. (1998). Founding Family Controlled Firms: Efficiency and Value. *Review of Financial Economics*, *7*(1).

Meckling, B. W. H. (1976). Values and the Choice of the Model of the Individual in the Social

Volume 5 Nomor 1 Ed. 2023 : page 11-18
p-ISSN: 2686-262X e-ISSN : 2685-9300
DOI : 10.24256

Sciences. *Swiss Journal of Economics and Statistics (SJES), 112*(IV).

Munawir, S. (2012). *Analisis Informasi Keuangan*. Liberty.

Niki, L. (2016). Corporate Governance Menuju Penguatan Konseptual Dan Implementasi di Indonesia. *RN Hamidawati*.

Nugroho, R. A., Pengestuti, I. D., & Sugiyono, S. (2017). *Pengaruh Struktur Kepemilikan, Ukuran Perusahaan, Profitabilitas Dan Struktur Modal Terhadap Nilai Perusahaan Dengan Kebijakan Dividen Sebagai Variabel Intervening (Studi Empiris Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia Tahun 2011-2016*. Diponegoro University.

Oswald, S. L., Muse, L. A., & Rutherford, M. W. (2009). The Influence Of Large Stake Family Control On Performance: Is It Agency Or Entrenchment? *Journal of Small Business Management*, *47*(1).

Pratiwi, P. D., & Christian, A. R. (2021). Performa Keuangan Perusahaan Sub-Sektor terdampak Covid-19. *INOBIS: Jurnal Inovasi Bisnis Dan Manajemen Indonesia*, *5*(1).

Santoso, A. R. C. (2020). Pengaruh Mekanisme Corporate Governance Terhadap Kinerja Keuangan Perusahaan Keluarga Di Indonesia. *Jurnal Fokus Manajemen Bisnis*, *10*(1).

Schulze, W. S., Lubatkin, M. H., Dino, R. N., & Buchholtz, A. K. (2001). Agency Relationships in Family Firms: Theory and Evidence. *Organization Science*, *12*(2).

Sonbay, Y. Y. (2022). Kritik Terhadap Pemberlakuan Teori Agensi Dalam Pengelolaan Dana Desa Di Suku Boti. *Ekuitas (Jurnal Ekonomi Dan Keuangan), 6*(2).

Sundana, I. M. (2011). *Manajemen Keuangan Perusahaan*.

Susilowati, I. H., & Sanjaya, Ip. S. (2016). Pengaruh Kepemilikan Ultimat Terhadap Keinformatifan Laba Pada Perusahaan Manufaktur Yang Terdaftar Di Bei. *Modus*, *27*(1).

Wijaya, B. I., & Sedana, I. P. (2015). *Pengaruh Profitabilitas Terhadap Nilai Perusahaan (Kebijakan Dividen Dan Kesempatan Investasi Sebagai Variabel Mediasi)*. Udayana University.

Wijayanti, L. (2013). Pengaruh Kontrol Keluarga dan Komisaris Independen terhadap Kebijakan Dividen dan Struktur Modal pada Perusahaan yang Terdaftar di BEI. *Majalah Ekonomi Universitas Airlangga*, *24*(1).

Yusuf, M., & Matiin, N. (2022). ANALYSIS OF THE EFFECT OF THE MARKETING MIX ON PURCHASING DECISIONS. International Journal of Economics and Management Research, 1(3), 177-182.

Yusuf, M., Sutrisno, S., Putri, P. A. N., Asir, M., & Cakranegara, P. A. (2022). Prospek Penggunaan E-Commerce Terhadap Profitabilitas Dan Kemudahan Pelayanan Konsumen: Literature Review. Jurnal Darma Agung, 30(1), 786-801.

Volume 5 Nomor 1 Ed. 2023 : page 11-18
p-ISSN: 2686-262X e-ISSN : 2685-9300
DOI : 10.24256

Yusuf, M., Saiyed, R., & Sahala, J. (2022, December). Swot Analysis in Making Relationship Marketing Program. In Proceeding of The International Conference on Economics and Business (Vol. 1, No. 2, pp. 573-588).

Yusuf, M., & Matiin, N. (2022). ANALYSIS OF THE EFFECT OF THE MARKETING MIX ON PURCHASING DECISIONS. International Journal of Economics and Management Research, 1(3), 177-182.

Yusuf, M., Betty, H., & Sihombing, M. (2022). The Effect of Product and Service Quality on Consumer Loyalty at Palopo Minimarkets. December. https://doi.org/10.24042/febi.v7i2.14430