

The Effect of Family Controlling Ownership on Financing Policy

Authors : Vera Diyanty, Akhmad Syahroza

Abstract : This research aims to describe an empirical evidence of the influence of family control on the company's financing policy. Additionally, this research also shows the effect of leadership from family member and the effectiveness of the board of commissioners on companies' financing policy. The result of this study found that family control through direct and indirect ownership mechanism have a positive impact on the choice of bank loan compare to public debt. Nevertheless, this research also shows that companies' founders who become CEO and the effectiveness of board of commissioners do not prove to increase the alignment effect nor decrease the negative impact of entrenchment effect on the bank loan preference.

Keywords : family controlling, family CEO, board effectiveness, financing policy

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