ISSN No:-2456-2165

Role of Political Connections and Family Ownership to Related Party Transactions in Indonesia

Fuad Hudaya Fatchan[1], Ilham Nuryana Fatchan[2]
[1]Faculty of Economics and Business, Universitas Muhammadiyah Surakarta, Surakarta – Indonesia
[2]Faculty of Economics and Business, Universitas Muhammadiyah Purwokerto, Purwokerto - Indonesia

Abstract:- A related party transaction is a transfer of resources, services or obligations between the reporting entity and related parties, regardless of whether a price is charged. There are several factors that can influence abusive or efficient related party transactions, namely family ownership and political connections. This study discusses the effect of family ownership and political connections on related party transactions with control variables, namely audit quality, firm size, profitability and firm age. This research focuses on mining companies listed on the Indonesian stock exchange in 2016-2020 with a research sample of 170 companies. Data analysis used Eviews 9 with the Random Effect Model test. The results of the study show that family ownership and political connections have an effect on related party transactions. Control variables are audit quality, company size, company age effect on related party transactions. Profitability has no effect on related party transactions.

Keywords:- *Related Party Transactions, Family Ownership, Political Connections, Audit Quality, Company Size, Profitability, Company Age.*

I. INTRODUCTION

The company's financial statements aim to provide information regarding the financial position, financial performance and cash flows of entities that are useful to most users of financial statements in making economic decisions (statement of financial accounting standart/PSAK No. 1, 2018, Paragraph 09). Information contained in a company's financial statements can be useful if it is presented in a transparent, accurate and timely manner when needed by shareholders/creditors and potential investors/creditors to assess the company's financial condition, as well as the company's going concern, as a basis for decision-making. One of the information presented in the report corporate finance is information about related party transactions or related party transactions (RPT).

In Indonesia, RPT is based on statements of financial accounting standards number 7 of 2014 concerning disclosure of related parties. A related party transaction is a transfer of resources, services or obligations between the reporting entity and related parties, regardless of whether a price is charged. According to IAS 24, the RPT relationship is activity normal activities of commerce and business. For example, an entity often carries out some of its activities through subsidiaries, joint ventures and associates. In such circumstances, the entity has the ability to influence the financial and operating policies of the investee through the presence of control, joint control or significant influence. Kang, Lee, Lee & Park (2014) state that RPT is a transfer of resources, services, or obligations from a reporting entity to related parties, which usually refers to executives, boards of directors, and major shareholders .

Kohlbeck & Mayhew (2010) stated that RPT can categorized into 2 namely RPT which has a positive impact or efficient transaction if RPT can be used as an efficient and profitable contract mechanism for companies to achieve shareholder value maximization by reducing transaction costs thereby achieving good economies of scale for the company. RPT can be a management effort to improve company performance (Williamson, 1975; Stein, 1997)

Conversely, the second RPT is detrimental (abusive RPT) if the related party transaction is used to manipulate the company's operating results for economic gain which only benefits the company's majority shareholder. Yeh, Shu & Su (2012) state that a detrimental RPT is the appropriation of wealth from minority shareholders by majority/ controlling shareholders.

The ownership structure in Indonesia is the same as other Asian countries which have a concentrated ownership structure in one group such as the family or the state. In Indonesia with a concentrated ownership pattern and the main owner The dominant (ultimate control) is the family (Arifin, 2003). Previous research in Indonesia found that RPT transactions are in line with family ownership (Barokah, 2013; Dyanty et al 2013). According to a survey conducted by Price Waterhouse Cooper (PWC) in 2014, more than 95 percent of companies in Indonesia are family businesses. Claessen et al. (1999) found that more than 50% of companies in Indonesia are controlled by families.

Company impact family control on RPT can be explained by entrenchment or alignment effects. The entrenchment effect is defined as the ability of the ultimate controlling shareholder to determine the company's operational policy in accordance with his personal interests, even if he has to sacrifice the interests of the shareholders and other stakeholders. When the entrenchment effect dominates, family ownership encourages related party transactions to strengthen motivation to expropriate through related party transactions because control is in the hands of one family controller (Dyanty, 2013). Hu et al (2012) state that there is a lot of information owned by family ownership as the controlling

ISSN No:-2456-2165

shareholder. Transactions carried out by controlling shares can be used as a means to carry out expropriation of company resources which can harm minority shareholders due to tunneling carried out by controlling shareholders.

Furthermore, the alignment effect occurs when low family ownership encourages related party transactions to increase firm value through low costs and effective control so that these transactions can provide benefits for business development (Fan & Goyal, 2006). Anderson and Reeb (2003) emphasize that family firms pay more attention to reputation than non-family firms because families expect a continued presence in the companies they start.

Previous research on RPT with family ownership. Cheyoong et al (2015) examined Malaysian companies using panel data stating that RPT in family firms reduces firm value, expropriation through RPT is stronger in family firms compared to non-family firms. Azim et al (2018) examined the main shareholders of Pakistani family-owned companies who took over resources through RPT. The results of the study concluded that there is a relationship between the concentration of family shareholders and the exploitation of the interests of minority shareholders. This is supported by the research of Mohammed (2019) and Dyanty et al (2013) which state that RPT will be stronger with family ownership. In Berto's research (2019) ownership was reported to have a positive effect on tunneling. That is, the more concentrated the shareholders are in accordance with indications of expropriation. Likewise Abdullatif et al (2019) stated that companies with high concentration of ownership can use RPT in tunneling activities to take over funds to dominant shareholders.

In contrast, Bansal & Thenmozhi (2020) find that concentrated founder ownership in India is more likely to drive RPTs that are beneficial to minority shareholders compared to RPTs that lead to takeovers. Alhadab et al (2020) which showed that there was no effect of family ownership on the RPT relationship.

Majority share ownership has an interest in carrying out RPT activities with political connections to get protection in these activities. Agency theory is the theory that underlies the linkages between connections policies and related party transactions. This theory leads to the linkage of the relationship between majority shareholder and minority shareholder. Having political connections exacerbate type II agency conflict in which the majority shareholder takes advantage position in the company for their own interests without prioritizing the shareholders minority shares (Villalonga & Amit, 2006). According to (Ling et al, 2016) stated from the perspective of agency theory, companies that are politically connected have the potential to be RPT .

Several previous studies have examined the influence between political connections and related party transactions. Ismail et al (2022) researched that many Egyptian companies are still connected to political boards of directors and political relations have a significant effect on RPT. Supatmi et al (2021) stated that political connections strengthen the effect of RPT on firm value. Habib et al. (2017) found that there was a positive effect political connections to related party transactions. Connected company politics will do RPT. In contrast, Abdullatif et al.'s research. (2019) stated Jordan found that there was no influence between political connections and related party transactions.

II. RESEARCH METODS

The population of this study are mining sector companies listed on the Indonesia Stock Exchange (IDX) in 2016-2020. Selection of the sample using purposive-sampling with criteria:

- Researchers obtain the complete annual reports of mining sector companies from 2016 to 2020 through the official websites of each company and on the official website of the Indonesia Stock Exchange (www.idx.go.id)
- Companies that include information related to research variables in their annual reports.

A. Research variable

➢ *Related Party Transactions (RPT)*

In this study, the dependent variable used is related party transactions (RPT) as seen from the sum of the total RPT sales, RPT purchases, RPT debt and RPT receivables divided by total assets. The use of these transactions has contributed significantly to the business operations of companies in Indonesia.

This measurement was chosen because, related party transactions have been regulated in PSAK 7 and OJK regulations through Regulation number VIII.G.7 concerning guidelines for presenting financial statements, one of which has points, namely (a) The company provides details of total assets, liabilities, sales , and purchase of RPT; (b) The company assigns a percentage value in point (1) to total assets, liabilities, sales and purchases; (c) The company provides debt/receivable values from RPT that are not related to the company's main business activities (Nuritomo et al, 2020).

$$\text{RPT} = \frac{\text{RPT Sales} + \text{RPT Purchases} + \text{RPT Debt} + \text{RPT Receivables}}{\text{Total Assets}}$$

➢ *Family Ownership*

The family ownership structure is defined as share ownership owned by the family, or the family has an important role in the management of the company, so that the aims and interests of the family are . Bertnard and Schoar (2006) suggest that family firms are characterized by concentrated ownership, control and the presence of one or several family members occupying executive positions. For measuring family ownership using a dummy by looking at the percentage according to PSAK No. 15 whose measurement uses a percentage of 20% share ownership.

➢ *Political Connections*

The political connection variable will use 2 indicators, namely aspects of political ownership owned by independent commissioners and independent commissioners, with criteria, namely concurrent positions as politicians affiliated with

ISSN No:-2456-2165

political parties, concurrent positions as government officials, concurrent positions as military officials, and former officials government or former military officials (Fan, 2007 in Pranoto Ari, 2014) in. Political connection is measured by a dummy variable. A dummy variable is an artificial variable or dummy variable created to quantify qualitative data by giving a code of 0 (zero) or 1 (one) (Main, 2007 : 97 in Dharma and Putu, 2016) in (Purwanti & Sugiyarti, 2017)

➢ *Audit Quality*

Audit quality is the size of the Public Accounting Firm used by the company in examining the company's financial statements. The measurement of the Public Accounting Firm size variable in this study uses a dummy variable with the provision that companies that use big four Public Accounting Firms are given a score of 1 and companies that use non- big four Public Accounting Firms are given a score of 0 (Abdullatif et al, 2019).

➢ *Size*

This research includes size or company size as a control variable. Company size is an important factor indicating that large companies are relatively more stable and able to provide benefits compared to companies with smaller sizes. The natural logarithm value of the converted total assets. Size has been widely used in disclosure research as a control variable (Hamid et al, 2016). In this study everything was converted into rupiah and in accordance with the rupiah currency that was in effect at the time this research was conducted.

➢ *Company Age*

According to Lee and Choi (2015) the longer the period of time a company is registered, the higher the possibility that the company has long-term investment decisions and high corporate value. Through the age of the company, investors can see whether a company is able to continue to survive and is able to compete in getting business opportunities (Sembiring, 2012). In addition, the age of the company also affects the efficiency of the company in carrying out its operational activities. In this study, the age of the company will be calculated from the year the company was founded until the year the observations were made.

Company Age = year of observation - year of company establishment

➢ *Profitability*

Profitability in this study is proxied by return on assets (ROA). Return On Assets (ROA) used to measure management's ability to earn overall profits. The higher the ROA owned by a company, the more efficient use of assets will be increase profits (Madli, 2014). Return on total assets (ROA) is calculated by comparing the net profit after interest and taxes with total assets with the following formula:

$$\text{ROA} = \frac{\text{Net Profit after Interest and Tax}}{\text{Total Assets}}$$

B. Research Frameworks

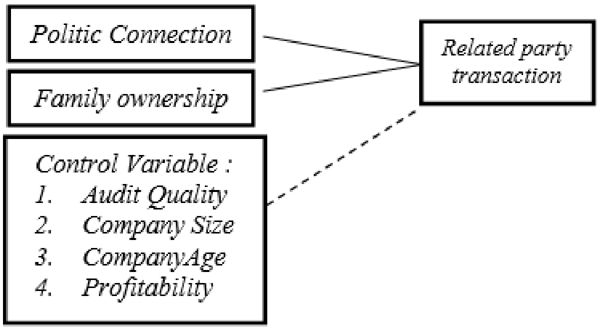

Fig 1 *Research Frameworks*

III. RESULTS AND DISCUSSION

A. Research Sample

Table 1 . Research Sample

No	Criteria	Samples
1	Number of mining companies period 2016-2020 (38 mining companies multiplied by 5 years)	190
2	Number of mining companies in 2010 -2020 who do not present financial reports (not found)	20
	Number of final sampled used	170

B. Descriptive Statistics

Table 2. Descriptive Statistics

	RPT	POL	FAM	KAP	SIZE	AGE	ROA
Mean	0.063407	0.458824	0.340142	0.476471	20.16222	29.15294	1.790964
Median	0.019613	0.000000	0.317600	0.000000	20.23250	27.50000	0.826000
Maximum	0.930607	1.000000	0.925000	1.000000	29.05046	52.00000	43.48400
Minimum	0.000000	0.000000	0.000000	0.000000	14.65477	4.000000	-153.8300
Std. Dev.	0.124243	0.499774	0.294679	0.500922	2.304949	12.30000	16.05218
N	170	170	170	170	170	170	170
Description: * indicates a significance of 5%; RPT = Accounts payable, receivables, sales and purchases related party transactions; POL = political connections to company directors or commissioners; FAMILY = Percentage of family share ownership; KAP = Audit quality; SIZE = Company size; AGE = Age of the company; ROA = company profitability level.							

ISSN No:-2456-2165

Related party transactions (RPT) as measured using the sum of related party transactions of sales, purchases, payables and receivables divided by total assets in this study have an average of 0.063 with a maximum and minimum value of 0.930 and 0, respectively. Related party transactions with a maximum value of 0.930 indicates that the level of related party transactions practiced is high, around 93%. This indicates that the sample firms In this study, the practice of related party transactions is carried out from several aspects of transactions such as debts and receivables to achieve certain goals. However, there are also those who do not conduct transactions with related parties in certain years .

Family ownership of mining companies in Indonesia is 34.0%. As is known according to PSAK No. 15 regarding share ownership, that investors are considered to have influence significant if owning either directly or indirectly through the company's shareholding 20% or more of the investee 's voting rights . It can be concluded that the majority of mining companies in Indonesia are owned by families.

C. Hypothesis testing

Table 3 shows the results of panel data regression testing using a random effect research model . To test the hypothesis formulated as follows:

RPT= a + ß1POL+ ß2FO + ß3AQ + ß4SIZE + ß5AGE + ß6ROA + e

RPT = Related Party Transaction
a = Konstanta
POL = Politic Connection
FO = Family Ownership
AQ = Audit Quality
SIZE = Company Size
AGE = CompanyAge
ROA = Profitability
e = Error

Table 3. Hypothesis testing

Dependent Variable: RPT				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
C	0.116119	0.048160	2.411118	0.0170
POL	0.042323	0.016625	2.545687	0.0118*
FAM	0.038021	0.017670	2.151769	0.0329*
KAP	-0.027518	0.010835	-2.539738	0.0120*
SIZE	-0.005818	0.002610	-2.229085	0.0272*
AGE	0.001242	0.000316	3.927507	0.0001*
ROA	-3.23E-05	0.000456	-0.070859	0.9436
Adjusted R-squared	0.056988			
F-statistic	2.682021			
Prob(F-statistic)	0.016537*			
N (Observations)	170	170	170	170
Description :* indicates a significance of 5%; RPT = Accounts payable, receivables, sales and purchases related party transactions; POL = political connections to company directors or commissioners; FAMILY = Percentage of family share ownership; KAP = Audit quality; SIZE = Company size; AGE = Age of the company; ROA = company profitability level.				

➢ *The influence of political connections on the RPT*

The test results in table 3 show that political connections have a positive effect on RPT with a value of 0.0118, which means that it has a significant effect on RPT. The research results are consistent with research conducted by Ismail et al (2022), Supatmi et al (2021), Habib et al (2017) and Rahman & Nugrahanti (2021)

Ismail et al (2022) stated that many Egyptian companies are still connected to political boards of directors and political relations have a significant effect on RPT. Supatmi et al (2021) state that political connections strengthen the RPT effect on company value. Habib et al. (2017) and Rahman & Nugrahanti (2021) state that there is a political connection can be used to practice RPT through related party transactions committed by the majority shareholder against the minority shareholder .

➢ *The effect of family ownership on RPT*

Table 3 shows the results statistical test that the value of family ownership is 0.0329 which means family ownership has a significant positive effect on related party transactions. The results of this study are consistent with research conducted by Azim et al (2018), Amzaleg & Barak (2011), Mohammed (2019), Cheyoong et al (2015), Kohlbeck et al (2018), Munir (2011), Berto (2019)), Abdullatif et al (2019), Ernawati & Aryani (2019).

Family ownership has proven to be more encouraging for the magnitude of related party transactions. Family ownership of the controlling shareholder has proven to strengthen motivation to engage in related party transactions. This is very reasonable because if there are several companies (company groups) in the hands of one family controller, the family's wealth is spread over many companies. These conditions will allow for expropriation through related party transactions (Dyanty et al, 2012). Family controlled companies have low motivation to disclose related party transactions. This result can be an indication that the family as the controlling shareholder takes advantage of related party transactions (Ernawati & Aryani, 2019)

➢ *Effect of Public Accounting Firm, Size, Company age and Profitability on RPT*

Table 3 shows that the audit quality control variable has an effect on RPT with a value of 0.012. Company size has a probability value of 0.027 which means it has an effect on RPT. The age of the company has a value of 0.000, so it affects the RPT. Conversely, the profitability variable measured using ROA has no effect on RPT because it has a value of 0.9436 which is above 0.05

IV. CONCLUSION

A. Conclusion

This study aims to examine the relationship between political connections and family ownership of related party transactions in mining companies in 2016-2020 . The data analysis conducted shows that the average family ownership of mining companies in Indonesia is 34.0%. As is known according to PSAK No. 15 regarding share ownership, that investors are considered to have influence significant if owning either directly or indirectly through the company's shareholding 20% or more of the investee's voting rights . It can be concluded that the majority of mining companies in Indonesia are owned by families.

The results of the study show that family ownership has a significant positive effect on related party transactions. Ali et al. (2007) stated that family firms suffer less from type I agency problems than type II agency problems as a consequence of highly concentrated ownership which gives them strong incentives and the ability to maximize their interests at the expense of minority shareholders. Furthermore, the results of the study show that political connections have a positive effect on RPT. The results are consistent with research conducted by Ismail et al (2022), Supatmi et al (2021), Habib et al (2017) and Rahman & Nugrahanti (2021)

B. Suggestion

This research has several limitations. First, this research only focuses on mining companies in Indonesia. Based on this, further research needs to explore more broadly by taking samples of other corporate sectors in Indonesia. Second, it is hoped that future research will focus on the sample data that will be examined, namely family ownership, because in this study the researchers did not focus on family ownership of mining companies in Indonesia, but used data on all mining companies in Indonesia.

REFERENCES

[1]. Agnihotri, A., & Bhattacharya, S. (2019). Internationalization, Related Party Transactions, and Firm Ownership Structure: Empirical evidence from an emerging market. *Research in International Business and Finance*, *48*, 340–352. https://doi.org/10.1016/j.ribaf.2019.02.004

[2]. Agoes, Sukrisno, I Cenik Ardana. (2009). Etika Bisnis dan Profesi: Tantangan Membangun Manusia Seutuhnya. Jakarta : Salemba Empat.

[3]. Alhadab, M., Abdullatif, M., & Mansour, I. (2020). Related Party Transactions and Earnings Management in Jordan: the role of ownership structure. *Journal of Financial Reporting and Accounting*, *18*(3), 505–531. https://doi.org/10.1108/JFRA-01-2019-0014

[4]. Ali, A., T. Chen, dan S. Radhakrisnan. (2007). Corporate Disclosure by Family Firms. *Journal of Accounting and Economics*, Vol. 44: 238-286.

[5]. Al-Najjar, B., & Kilincarslan, E. (2016). The Fffect of Ownership Structure on Dividend Policy: Evidence from Turkey. *Corporate Governance (Bingley)*, *16*(1), 135–161. https://doi.org/10.1108/CG-09-2015-0129

[6]. Amzaleg, Y., & Barak, R. (2012). Ownership Concentration and the Value Effect of Related Party Transactions. *SSRN Electronic Journal*, *November*. https://doi.org/10.2139/ssrn.1959557

[7]. Ancella Anitawati Hermawan. (2011). The Influence of Effective Board of Commissioners and Audit Committee on The Informativeness of Earnings: Evidence Indonesian Listed Firm, *Asia Pasific Journal of Accounting and Finance*, Vol.2, Issue 1.

[8]. Anderson, R. C. & Reeb, D. M. (2003). Founding-family ownership and firm performance: evidence from the S&P 500. *The Journal of Finance*, 58 (3),1301-1328.

[9]. Annisa Harijanto, V. N. (2019). Pengaruh Struktur Kepemilikan dan Ukuran Kantor Akuntan Publik terhadap Tingkat Kepatuhan Pengungkapan Transaksi Berelasi Berdasarkan PSAK No 7 Tentang Pengungkapan Pihak-Pihak Berelasi. *Nominal: Barometer Riset Akuntansi Dan Manajemen*, *8*(1), 59–70. https://doi.org/10.21831/nominal.v8i1.24499

[10]. Apriyani, H. W. (2016). Pengaruh Corporate Governance dan Karakteristik Perusahaan Terhadap Luas Pengungkapan Transaksi Pihak Berelasi di Indonesia. *Jurnal Akuntansi Indonesia*, *4*(1), 36. https://doi.org/10.30659/jai.4.1.36-50

[11]. Ariff, A. M., & Hashim, H. A. (2013). The Breadth and Depth of Related Party Transactions Disclosures. *International Journal of Trade, Economics and Finance*, *June*, 388–392. https://doi.org/10.7763/ijtef.2013.v4.323

[12]. Arifin, Z. (2003). Masalah Agensi dan Mekanisme Kontrol pada Perusahaan dengan Struktur Kepemilikan Terkonsentrasi yang Dikontrol Keluarga: Bukti dari Perusahaan Publik di Indonesia. Disertasi. Depok: Universitas Indonesia.

[13]. Azim, F., Mustapha, M. Z., & Zainir, F. (2018). Impact of Corporate Governance on Related Party Transactions in Family-Owned Firms in Pakistan. *Institutions and Economies*, *10*(2), 22–61.

[14]. Azwari, P. C. (2016). Masalah Keagenan pada Struktur Kepemilikan Perusahaan Keluarga di Indonesia. *Akuntabilitas: Jurnal Ilmu Akuntansi*, *9*(2), 173–184. https://doi.org/10.15408/akt.v9i2.4021

[15]. Bambang, M., & Hermawan, M. S. (2013). Founding Family Ownership and Firm Performance in Consumer Goods Industry: Evidence from Indonesia. *SSRN Electronic Journal*, *4*(2), 112–131. https://doi.org/10.2139/ssrn.2292375

[16]. Bansal, S., & Thenmozhi, M. (2020). Does Concentrated Founder Ownership Affect Related Party Transactions? Evidence from an Emerging Economy. *Research in International Business and Finance*, *53*, 101206. https://doi.org/10.1016/j.ribaf.2020.101206

[17]. Barokah, Z. (2013). an Analysis of Corporate Related-Party Disclosure in the Asia-Pacific Region. *Disertation, Queensland University of Technology*, 1–214.

[18]. Barontini, R., Bozzi, S., 2012. CEO Compensation and Performance in Family Firms. Working Paper, Scuola Superiore Sant'Anna, Pisa.

[19]. Benjamin Maury, (2006), Family ownership and firm performance: Empirical evidence from Western European corporations, *Journal of Corporate Finance*, **12**, (2), 321-341

[20]. Bernard, A. B., Jensen, J. B., and Schott, P. K. 2006. Transfer pricing by u.s.- based multinational rms. NBER Working Papers 12493, National Bureau of Economic Research, Inc

[21]. Bona-sánchez, C., Fernández-senra, C. L., & Pérez-alemán, J. (2016). Related-Party Transactions, Dominant Owners and Firm Value. *Analytica Chimica Acta*, 11–21. https://doi.org/10.1016/j.brq.2016.07.002

[22]. Carsrud, A.L., (2004). Meanderings of a Resurrected Psychologist or, Lessons Learned in Creating a Family Business Program. *Entrepreneurship: Theory and Practice* (19: pp. 40-50)

[23]. Chee Yoong, L., Alfan, E., & Devi, S. S. (2015). Family Firms, Expropriation and Firm Value: Evidence from Related Party Transactions in Malaysia. *The Journal of Developing Areas*, *49*(5), 139–152. https://doi.org/10.1353/jda.2015.0048

[24]. Chen, C., & Wu, C. (2010). Related Party Transactions and Ownership Concentration: Theory and Evidence. *E-Leader Conference*, *57*, 1–8. http://www.g-casa.com/conferences/singapore/papers_in_pdf/wed/Chen.pdf

[25]. Chen, Y., Wang, Y., & Lin, L. (2014). Independent Directors' Board Networks and Controlling Shareholders' Tunneling Behavior. *China Journal of Accounting Research*, *7*(2), 101–118. https://doi.org/10.1016/j.cjar.2013.09.002

[26]. Chen, Z., Cheung, Y.-L., Stouraitis, A., & Wong, A. W. S. (2005). Ownership concentration, firm performance, and dividend policy in Hong Kong. *Pacific-Basin Finance Journal, 13(4), 431–449*. doi:10.1016/j.pacfin.2004.12.001

[27]. Chen, Z., Y., Cheung, A. Stouraitis, and A.W.S. Wong, 2005, "Ownership Concentration, Firm Performance, and Devidend Policy in Hong Kong", Pasific-Basin Finance Journal, 13,431-449.

[28]. Cheng, Q. (2014). Family Firm Research - A review. *China Journal of Accounting Research*, *7*(3), 149–163. https://doi.org/10.1016/j.cjar.2014.03.002

[29]. Cheng, S., Firth, M., (2006), Family Ownership, Corporate Governance, and Top Executive Compensation. Wiley InterScience Vol. 27, 549-561

[30]. Cheung, S. Y., Rau, P.R. and Stouraitis, A. 2006. Tunnelling, propping and expropriation: Evidence from connected party transactions in Hong Kong. Journal of Financial Economics, 82, 343-386.

[31]. Cheung, YL, Jing, L, Lu, T, Rau, P. R. and Stouraitis, A. 2009. Tunneling and propping up: An analysis of related party transactions by Chinese listed companies, Pacific-Basin Finance Journal, 17(3):372-393

[32]. Claessens et al (1999), *The separation of ownership and control East Asia Corporations*, Wiley for the American Finance Association Stable

[33]. Claessens, S., S. Djankov, J. P. H. Fan, dan L. H. P. Lang. (2002). Disentangling the Incentive and Entrenchment Effects of Large Shareholdings. *The Journal of Finance*. 57 (6). 2741-2771.

[34]. De Cesari, A. (2012). Expropriation of Minority Shareholders and Payout Policy. *British Accounting Review*, *44*(4), 207–220. https://doi.org/10.1016/j.bar.2012.09.002

[35]. Diyanti, V., Utama, S., Rossieta, H., & Veronica, S. (2013). Pengaruh Kepemilikan Pengendali Akhir, Kepemilikan Keluarga serta Praktek Corporate Governance Terhadap Transaksi Pihak Berelasi dan Kualitas Laba. *Simposium Nasional Akuntansi XVI*, *I*(March 2019), 213–247.

[36]. Diyanty, V. (2016). Efek Entrenchment dan Alignment Pengendali Akhir Keluarga dan Peran Dewan Komisaris Terhadap Biaya Utang. 1–22.

[37]. Duygun, M., Guney, Y., & Moin, A. (2018). Dividend Policy of Indonesian Listed Firms: The Role of Families and the State. *Economic Modelling*, *75*(October 2017), 336–354. https://doi.org/10.1016/j.econmod.2018.07.007

[38]. El-Helaly, M. (2018). Related-Party Transactions: A Review of the Regulation, Governance and Auditing Literature. *Managerial Auditing Journal*, *33*(8–9), 779–806. https://doi.org/10.1108/MAJ-07-2017-1602

[39]. Ernawati, D., & Aryani, Y. A. (2019). Controlling Shareholders , Audit Committee Characteristics , and Related Party Transaction Disclosure : Evidence From Indonesia Article history : 23(1), 14–28.

[40]. Ferdi, F., & Rossieta, H. (2019). The Effect of Institutional Ownership on Disclosure of Related Party Transactions: Empirical Evidence from Indonesian Publicly Listed Companies. *89*(Apbec 2018), 313–317. https://doi.org/10.2991/apbec-18.2019.41

[41]. Fooladi, M., & Farhadi, M. (2019). Corporate Governance and Detrimental Related Party Transactions: Evidence from Malaysia. *Asian Review of Accounting*, *27*(2), 196–227. https://doi.org/10.1108/ARA-02-2018-0029

[42]. Ghozali, I.(2016. Aplikasi Analisis Multivariate dengan Program IBM SPSS 23. Semarang: BPFE Universitas Diponegoro.

[43]. Gordon, Elizabeth A.; Henry, Elaine; Palia, Darius (2004). Related Party Transactions: Associations with Corporate Governance and Firm Value. *SSRN Electronic Journal, (),* doi:10.2139/ssrn.558983

[44]. Habib, A., Muhammadi, A. H., & Jiang, H. (2017). Political Connections and Related Party Transactions: Evidence from Indonesia. *International Journal of Accounting*, *52*(1), 45–63. https://doi.org/10.1016/j.intacc.2017.01.004

[45]. Haji-Abdullah, N. M., & Wan-Hussin, W. N. (2015). Related Party Transactions, Audit Committees and Real Earnings Management: The Moderating Impact of Family Ownership. *Advanced Science Letters*, *21*(6), 2033–2037. https://doi.org/10.1166/asl.2015.6195

[46]. Hamid, M. A., Ting, I. W. K., & Kweh, Q. L. (2016). The Relationship between Corporate Governance and Expropriation of Minority Shareholders' Interests. *Procedia Economics and Finance*, *35*(16), 99–106. https://doi.org/10.1016/s2212-5671(16)00014-9

[47]. Helena, R., Firmansyah, A., (2018). Pengungkapan Pihak-Pihak Berelasi pada Perusahaan-Perusahaan Salim Group yang Terdaftar di Bursa Efek Indonesia. *3*(Desember), 185–196. www.kemenkeu.go.id,

[48]. Hendratama, T. D., & Barokah, Z. (2020). Related Party Transactions and Firm Value: The Moderating Role of Corporate Social Responsibility Reporting. *China Journal of Accounting Research*, *13*(2), 223–236. https://doi.org/10.1016/j.cjar.2020.04.002

[49]. Hu, S. H., Li, G., Xu, Y. H., & Fan, X. A. (2012). Effects of Internal Governance Factors on Cross Border Related Party Transactions of Chinese Companies. *Emerging Markets Finance and Trade*, *48*(SUPPL. 1), 58–73. https://doi.org/10.2753/REE1540-496X4801S105

[50]. Hwang, N.-C. R., Chiou, J.-R., & Wang, Y.-C. (2013). Effect of Disclosure Regulation on Earnings Management Through Related-Party Transactions: Evidence from Taiwanese Firms Operating in China. *Journal of Accounting and Public Policy, 32(4), 292–313.* doi:10.1016/j.jaccpubpol.2013.04.003

[51]. Ikatan Akuntan Indonesia (IAI) Standar Akuntansi Keuangan. PSAK No.1,2018

[52]. Jensen, M., C., dan W. Meckling, (1976). Theory of the firm: Managerial Behavior,Agency Cost And Ownership Structure, *Journal of Finance Economic* 3:305360 http://www.nhh.no/for/courses/spring/eco420/jensenmeckling-76.pdf.

[53]. Jeremy C. Stein. (1997). Internal Capital Markets and the Competition for Corporate Resources. *, 52(1), 111–133.* doi:10.1111/j.1540-6261.1997.tb03810.x

[54]. Jogiyanto, H. . 2010. Teori Portofolio dan Analisis Investasi (7th ed.). Yogyakarta: BPFE.

[55]. Johnson, Simon; La Porta, Rafael; Lopez-de-Silanes, Florencio; Shleifer, Andrei (2000). Tunneling. *American Economic Review, 90(2), 22–27.* doi:10.1257/aer.90.2.22

[56]. Jong, L., & Ho, P. L. (2018). Inside the family firms: The Impact of Family and Institutional Ownership on Executive Remuneration. *Cogent Economics and Finance*, *6*(1). https://doi.org/10.1080/23322039.2018.1432095

[57]. Joseph P. H. Fan and T. J. Wong, (2002), Corporate ownership structure and the informativeness of accounting earnings in East Asia, *Journal of Accounting and Economics*, **33**, (3), 401-425

[58]. Joseph P. H. Fan and Vidhan Goyal, (2006), On the Patterns and Wealth Effects of Vertical Mergers, *The Journal of Business*, **79**, (2), 877-902

[59]. Kaihatu, T. S. 2006. Good Corporate Governance dan Penerapannya di Indonesia. Jurnal Manajemen dan Kewirausahaan, Vol. 8, No.1 : 1-9, Maret.

[60]. Kang, M., Lee, H. Y., Lee, M. G., & Park, J. C. (2014). The Association between Related-Party Transactions and Control-Ownership Wedge: Evidence from Korea. In *Pacific Basin Finance Journal* (Vol. 29). Elsevier B.V. https://doi.org/10.1016/j.pacfin.2014.04.006

[61]. Kohlbeck, M. J., Lee, H. S., Mayhew, B. W., & Salas, J. M. (2018). The Influence of Family Firms on Related Party Transactions and Associated Valuation Implications. *SSRN Electronic Journal*, *33431*(561). https://doi.org/10.2139/ssrn.3154565

[62]. La Porta, R.,F. Lopez-De-Silanes, and Shleifer, A. (1999). CorporateOwnership Around the World. *Journal of Finance*, 54 (2): pp.471-517.

[63]. Lee, M. G., Kang, M., Lee, H. Y., & Park, J. C. (2016). Related-Party Transactions and Financial Statement Comparability: Evidence from South Korea. *Asia-Pacific Journal of Accounting and Economics*, *23*(2), 224–252. https://doi.org/10.1080/16081625.2014.957706

[64]. Liana, S., Poulus, S., & Pratama, A. (2020). The Effect of Share Ownership Concentration and Company Operation Complexity towards Transfer Pricing Decisions. *Journal of Accounting Auditing and Business*, *3*(1), 52. https://doi.org/10.24198/jaab.v3i1.25686

[65]. Ling, L., Zhou, X., Liang, Q., Song, P., & Zeng, H. (2016). Political connections, overinvestments and firm performance: Evidence from Chinese listed real estate firms. *Finance Research Letters*, *18*, 328–333.

[66]. Mark Kohlbeck; Brian W. Mayhew (2010). Valuation of firms that disclose related party transactions. *, 29(2), 0–137.* doi:10.1016/j.jaccpubpol.2009.10.006

[67]. Mohammed, N. H. (2019). Related Party Transactions, Family Firm, and Firm Performance Empirical Evidence from Turkey. *Accounting Analysis Journal*, *8*(3), 179–183. https://doi.org/10.15294/aaj.v8i3.36665

[68]. Moscariello, N. (2012). Related Party Transactions in Continental European Countries: Evidence from Italy. *International Journal of Disclosure and Governance*, *9*(2), 126–147. https://doi.org/10.1057/jdg.2011.14

[69]. Munir, S., & Gul, R. J. (2012). Related Party Transactions, Family Firms and Firm Performance: Some Malaysian Evidence. *SSRN Electronic Journal*. https://doi.org/10.2139/ssrn.1705846

[70]. Munir, S., Saleh, N. M., Jaffar, R., & Yatim, P. (2013). Family Ownership, Related-Party Transactions and Earnings Quality. *Asian Academy of Management Journal of Accounting and Finance*, *9*(1), 129–153.

[71]. Nuritomo, Utama, S., & Hermawan, A. A. (2020). Family Ownership and Tax Avoidance: An Analysis of Foreign Related Party Transactions and Dividend Payments. *International Journal of Business and Society*, *21*(2), 643–659.

[72]. Park, Y. W. and H. Shin. 2004. Board Composition and Earnings Management in Canada. Journal of Corporate Finance, 10 (3), 431-457.

[73]. Pricewaterhouse Coopers Indonesia. 2014. "Economic crime: A threat to business globally", di-download dari https://www.pwc.ie/ /2014_global_economic_crime_survey.pdf

[74]. Rahman, A. F., & Nugrahanti, Y. W. (2021). The influence of related party transaction and corporate governance on firm value: An empirical study in Indonesia. *Journal of Asian Finance, Economics, and Business*, *8*(6), 223–233. https://doi.org/10.13106/jafeb.2021.vol8.no6.0223

[75]. Richardson, G., Wang, B., & Zhang, X. (2016). Ownership Structure and Corporate Tax Avoidance: Evidence from Publicly Listed Private Firms in China. *Journal of Contemporary Accounting & Economics*. https://doi.org/10.1016/j.jcae.2016.06.003

[76]. Sari, *et al*. (2017). Tax Avoidance, Related Party Transactions, Corporate Governance and the Corporate Cash Dividend Policy. *Journal of Indonesian Economy and Business*, 32 (3), 190 – 208.

[77]. Sedarmayanti, 2012. Manajemen Sumber Daya Manusia. Jakarta : Refika Aditama Eresco.

[78]. Sekaran, U. 2003. Research Method For Business: A Skill Building Approach. New York: John Wiley and Sons, Inc.

[79]. Sekaran, Uma dan Bougie, Roger. (2013). Metode Penelitian untuk Bisnis. Edisi keenam. Jakarta: Salemba Empat.

[80]. Song, Z., Che, X., & Guo, Y. (2016). Related Party Cooperation , Ownership Structure and Value Creation. *2*(2), 8–12. https://doi.org/10.11648/j.ajtab.20160202.11

[81]. Su, Z., Fung, H., Huang, D., & Shen, C. (2014). Cash dividends , Expropriation , and Political Connections : Evidence from China. *International Review of Economics and Finance*, *29*, 260–272. https://doi.org/10.1016/j.iref.2013.05.017

[82]. Sugiyarti, L., & Purwanti, S. M. (2017). Pengaruh intensitas aset tetap, pertumbuhan penjualan dan koneksi politik terhadap tax avoidance (Studi kasus pada perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia tahun 2012–2016). *Jurnal Riset Akuntansi dan Keuangan*, *5*(3), 1625–1642. https://doi.org/10.17509/jrak.v5i3.9225

[83]. Sugiyono. 2003. Metode Penelitian. Bandung: Alfabeta

[84]. Supatmi, S., Sutrisno, S., Saraswati, E., & Purnomosidhi, B. (2021). Abnormal related party transactions, political connection, and firm value: Evidence from Indonesian firms. *International Journal of Business and Society*, *22*(1), 461–478. https://doi.org/10.33736/IJBS.3189.2021

[85]. Supatmi, Sutrisno,T., Saraswati, E., & Purnomosidhi, B. (2019).The effect of related party transactions on firm performance: The moderating role of political connection in Indonesian banking. *Business:Theory and Practice*, *20*(2003), 81–92. https://doi.org/10.3846/BTP.2019.08

[86]. Sutedi, Adrian. 2011. Good Corporate Governance. Edisi Pertama. Jakarta: Sinar Grafika.

[87]. Tariq H. Ismail, Mohamed El-Deeb and Yasser Tawfik Halim. (2022). Do related party transactions affect the relationship between political connections and firm value? Evidence from Egypt, *Future Business Journal (2022) 8:10* https://doi.org/10.1186/s43093-022-00123-x

[88]. Usman, B. (2019). Ownership Structures, Control Mechanism and Related Party Transaction: An Empirical Study of the Indonesian Public Listed Companies. *International Journal of Economics and Management*, *13*(1), 1–20.

[89]. Utama, C.A. (2015). Penentu Besaran Transaksi Pihak Berelasi: Tata Kelola, Tingkat Pengungkapan, dan Struktur Kepemilikan. *Jurnal Akuntansi dan Keuangan Indonesia*. 12 (1).37-54.

[90]. Utama, S., Utama, C. A., & Yuniasih, R. (2010). Related Party Transaction - Efficient or Abusive: Indonesia Evidence. *Asia Pacific Journal of Accounting and Finance*, *1*(December), 77–102.

[91]. Wardhana, L. I., Tandelilin, E., Lantara, I. W. N., & Junarsin, J. E. (2014). Dividend Policy in Indonesia : A Life-Cycle Explanation.

[92]. 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

[93]. William R Scott. 2000. Financial Accounting Theory. Canada: Prestice Hall, 2nd Edition.

[94]. Williamson, Oliver E. (1975). Markets and Hierarchies: Analysis and Antitrust Implications: A Study in the Economics of Internal Organization. *University of Illinois at Urbana-Champaign's Academy for Entrepreneurial Leadership Historical Research Reference in Entrepreneurship*, Available at SSRN: https://ssrn.com/abstract=1496220

[95]. Wuisan, F., Randa, F., & Lukman. (2018). Pengaruh Struktur Kepemilikan Terhadap Kebijakan Dividen Perusahaan. SiMAk Vol. 16, 119-141.

[96]. Yan-Leung Cheung; Lihua Jing; Tong Lu; P. Raghavendra Rau; Aris Stouraitis. (2009). Tunneling and propping up: An analysis of related party transactions by Chinese listed companies. , *17(3), 0–393.* doi:10.1016/j.pacfin.2008.10.001

[97]. Yeh, Y., Shu, P., & Su, Y. (2012). Related-Party Transactions and Corporate Governance : The Evidence from the Taiwan Stock Market. *Pacific-Basin Finance Journal*, *20*(5), 755–776. https://doi.org/10.1016/j.pacfin.2012.02.003

[98]. Yezhen Wan, Leon Wong , (2015),"Ownership, Related Party Transactions and Performance in China", *Accounting Research Journal*, Vol. 28 Iss 2 pp. 143 – 159, http://dx.doi.org/10.1108/ARJ-08-2013-0053

[99]. Yodhianto, A. (2016). Efek Entrenchment dan Alignment Pengendali Akhir Keluarga dan Peran Dewan Komisaris Terhadap Biaya Utang. *Simposium Nasional Akuntansi*, Vol XIX.

[100]. Zhu, Z. (2015). Multiple Principal-Agent Relationships, Corporate-Control Mechanisms and Expropriation through Related Party Transactions : Evidence from China. *Journal of Chinese Economics and Finance*. ISSN 1450-2887 Issue 2