






# “Does debt moderate the impact of family commissioner boards on company performance in Indonesia?”

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# DOES DEBT MODERATE THE IMPACT OF FAMILY COMMISSIONER BOARDS ON COMPANY PERFORMANCE IN INDONESIA?

**Abstract**

This study aims to investigate the influence of family commissioner boards (FCBs) on the operational efficiency of companies in Indonesia that use debt as a control tool, which includes bank and non-bank debt. Using the two-step GMM-First Difference estimation method, the research sample consists of 121 family-owned companies using unbalanced panel data from 2009 to 2018. This investigation produces several significant findings. Firstly, the results of the analysis show that the presence of family representatives on the board of commissioners has a negative impact on overall company performance. These observations suggest that FCBs may prioritize the interests of family shareholders over minority shareholders, which indicates entrenchment behavior. Second, the analytical results reveal that debt plays a moderating role in the influence of FCB on company performance. Debt acts as a deterrent to entrenchment behavior, thereby improving firm performance. Third, the results of the analysis did not find significant differences in FCB entrenchment behavior between companies that have bank debt and companies that have non-bank debt. These findings have significant policy implications for regulatory bodies in Indonesia regarding the governance of family-owned companies. It is vital to establish a mechanism for appointing family members to the board of commissioners that protects the interests of all shareholders and promotes a fairer corporate landscape.

**Keywords**

company performance, family commissioner board,  
debt, entrenchment, family firms

**JEL Classification**

M00, L25

**INTRODUCTION**

Commissioners and directors have different roles in the organization in accordance with the 2017 Financial Services Authority regulations. The Board of Directors is responsible for managing the company and achieving commercial goals, while the Board of Commissioners supervises various aspects, providing advice to the directors. The board of commissioners plays an essential role in supervising family-owned companies, strengthening the family's influence as shareholders. However, this can give rise to agency conflicts between majority and minority shareholders, especially in countries with limited investor protection (Claessens & Yurtoglu, 2013). Therefore, studying the performance of companies that have family members on the board of commissioners in countries with weak investor protection, such as Indonesia, using Type II agency theory, is interesting.

Empirical evidence regarding the influence of the board or majority shareholder management on company performance is still inconsistent. For example, family shareholders positively influence company performance in the UK (Poutziouris et al., 2015). In contrast, family

management significantly weakens the performance of US S&P 500 firms (Block et al., 2011). In China, family management improves company performance (Peng & Jiang, 2010).

In the Indonesian context, agency relationships are strictly regulated by the Financial Services Authority (OJK) through Law Number 57/POJK.04/2017. This regulation emphasizes transparency, accountability, responsibility, independence, and fairness in corporate governance, especially when conflicts of interest involve various parties or affiliates (Prabowo & Simpson, 2011; Robin & Amran, 2016).

Previous research regarding conflict control between majority shareholders on the board of commissioners and minority shareholders has rarely been conducted. However, it is crucial to investigate the role of debt to prevent takeovers or transfers of the board of commissioners related to minority shareholders.

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## 1. LITERATURE REVIEW

The family commissioner board (FCB) plays a vital role in family companies (Haron & Ismail, 2016; González et al., 2012), including controlling the board of directors and company operations. Family-run firms often exhibit entrenchment behavior (Filatotchev et al., 2011). Majority shareholders (family) use company resources for their own interests to the detriment of non-family shareholders.

Increasing the number of boards of directors affiliated with shareholders can cause a decline in company performance (Giovannini, 2010) due to the concentration of power by the family (Sumarsono, 2014). FCB harms company performance due to entrenchment behavior (Claessens & Fan, 2002). Debt prevents company executives from pursuing personal gain (Salas, 2010; Giovannini, 2010). Besides that, debt deters corporate executives from pursuing personal gain to the detriment of minority shareholders and limits management's access to free cash flow (Nüesch, 2015; Claessens & Fan, 2002).

Debt forces management to invest significant time and effort in generating cash sustainably and avoid overinvestment (Haniiffa & Hudaib, 2006); debt also avoids bankruptcy (Jiang & Kim, 2015). Conditions like this can protect managers from moral dilemmas, help them remain disciplined, and oblige them to carry out their duties appropriately (Haniiffa & Hudaib, 2006). Therefore, Ariyono and Setiyono (2020) admit that debt functions to limit FCB behavior that is detrimental to minority shareholders, while bank monitoring can reduce agency conflicts.

The sources of bank funding that finance a company's operations have attracted the attention of numerous researchers who have established that the need for loan funds is not only the result of bank debt since non-bank loans also constitute a source of finance for companies. Non-bank debt and bank debt classifications are often referred to as formal finance and informal finance. Decisions on funding sources through bank debt and non-bank debt are also influenced by company ownership through the board of commissioners, whose members advise the board of directors (Yin & Liu, 2017; Ayyagari et al., 2010).

Commissioners usually prioritize family welfare (Muttakin et al., 2014) while prejudicing that of minority shareholders. To address this problem, bank debt enables the monitoring of company performance more effectively than non-bank debt (Block et al., 2011). As a result, the entrenchment of FCBs as shareholders differs from one company to another depending on its level of bank debt. An FCB impedes company performance due to its entrenchment activity (Salas, 2010; Giovannini, 2010; Sumarsono, 2014; Phan et al., 2021).

Banks exercise more control over debtors than bondholders, encouraging companies to gain a competitive advantage by monitoring these commercial enterprises (Yen et al., 2015; S.-W. Nam & I. Nam, 2004). Furthermore, banks exert formal influence on companies through loan contracts that require them to refrain from engaging in activities detrimental to their interests (Claessens & Yurtoglu, 2013). When banks expand their role in overseeing a company, managers also strive to improve internal monitoring, thus enhancing its performance. On the other hand, monitoring debt

can increase the operational costs of banks that, in turn, raise their interest rates on loans (Yin & Liu, 2017; Ghosh, 2007).

Hence, indebtedness functions to restrict entrenched conduct by the FCB that harms minority stockholders, while banking supervision can alleviate agency disputes. Debt also improves company performance, thereby benefitting all parties. An interest rate rise will significantly influence a company management's decision to use bank or non-bank debt. An FCB's impact on company performance will differ according to which form of debt the company in question resorts to.

Jiang and Kim (2015) show that debt can limit excessive investment and impose discipline on managers in managing free cash flow. This study explores the role of debt in reducing agency conflicts in family-owned companies. It also empirically tests the influence of FCB on the performance of companies with both bank and non-bank debt.

Non-bank institutions have experienced significant growth globally, especially in Indonesia. The use of non-bank debt is becoming more common among individuals and companies, driven by banking regulations requiring financial institutions to provide loans to commercially sound companies (Chernenko et al., 2021).

On the other hand, non-bank institutions show a greater degree of leniency toward these fundamental criteria, thereby providing greater access to funds for companies and individuals (Chernenko et al., 2021; Yin & Liu, 2017). Empirical evidence shows that bank debt has a different monitoring function from non-bank debt (Davydov & Vähämaa, 2013).

Family board actions, whether seizing control or securing positions, harm minority shareholders in different debt categories. Assessing the effects of family commissioner board on company performance, distinguishing bank-debt and non-bank debt scenarios, deepens the understanding, especially in emerging Asian markets like Indonesia.

This study explores the influence of the family board of commissioners (FCB) on the operational efficiency of Indonesian companies that use debt

as a control tool, including both bank and non-bank debt. Based on the literature review and the problems stated above, this paper elaborates on the three hypotheses as follows:

*H1: Family commissioner board negatively affects company performance.*

*H2: Debt underpins the family commissioner board's positive attitude toward company performance.*

*H3: The influence of the family commissioner board on company performance differs depending on the use of bank debt or non-bank debt.*

## 2. METHODS

This study analyzed companies that were at least 20% family-owned and that appointed family members to their boards of commissioners. With this minimum ownership level, families have significant control over companies (Muttakin et al., 2014). Thus, the study population consisted of family companies in Indonesia's non-financial sector operating between 2009 and 2018. Financial sector companies were not included because of their unique characteristics in terms of both management and regulation (Makhlouf et al., 2018). Based on these criteria, 121 family companies with unbalanced data were selected as the research sample.

Family members of an FCB were traced by confirming the full names of all individuals related to the family. These names were subsequently cross-referenced with the commissioner's profile board contained in the annual report or the commissioner board member's biography obtained from reliable sources.

The study examined the market value of equity, the proportion of family members on the board of commissioners, their debts and assets, and the length of time the company had been commercially active. Data on FCB members' family backgrounds, debts and assets, and the company's commercial activity duration were collected from annual reports. In contrast, data on the market value of equity were acquired from the data stream.

The company's performance, as assessed by Tobin's Q, represented the dependent variable in this investigation. The company's market capitalization ratio represents its value from a market perspective and constitutes an indicator of growth over time. Tobin's Q is derived by dividing total assets by total debt plus the market value of equity (Muchtar et al., 2018).

An FCB constitutes an independent variable. The number of family commissioners appointed to it divided by the number of company commissioners is used to measure this variable (Audretsch et al., 2013). Debt (DEBT) represents the moderating variable calculated as the ratio of total long-term debt to total assets (Peng & Jiang, 2010). This study also used categorical/dummy variables for companies carrying bank debt and those without. Companies with bank debt (DBDEBT) are measured by Dummy = 1, while those without by Dummy = 0. These two categories were tested because bank loans have different company monitoring capabilities than non-bank debts.

Finally, the study included company size and age as control variables. The natural logarithm based on total assets was employed to measure company size (Muchtar et al., 2018), while its age was calculated using the relevant natural logarithm (Muttakin et al., 2014).

Board structure and first-lagged company performance are endogenous variables (Muchtar et al., 2018). Current performance represents a function of past company performance. Endogeneity is a condition that describes the correlation between the independent variable and the error term (Ullah et al., 2018), the independent variable is endogenous or not, at least not strictly exogenous when the independent variable correlates with that of the previous year and the error term (Roodman, 2009). The Ordinary Least Square (OLS) or static estimation method is unsuitable for investigating an endogeneity problem because the results are biased and inconsistent. Testing the effect of an FCB on performance by ignoring the problem of endogeneity produced unpredictable results, leading to incorrect conclusions and theoretical interpretations. The Generalized Method of Moments (GMM) estimate in the family board structure solves endogeneity problems such as unobservable heterogeneity,

simultaneity, and dynamic endogeneity. This renders the estimated results consistent and unbiased (Ullah et al., 2018; Muchtar et al., 2018).

This study employed the GMM-First Difference two-step estimation method to examine the effect of an FCB on company performance. In panel data research with a short period (T) and extensive observations (N), the use of the GMM-First Difference two-step estimation method is more accurate than the one-step alternative (Arellano & Bond, 1991). The effect of an FCB on company performance (Tobin's Q) is tested using the model equation below:

$$TOBINS\ Q = \delta_{10} + \delta_{11}TOBINS\ Q(-1) + \delta_{12}FCB + \delta_{13}FSIZE + \delta_{14}FAGE + \varepsilon_i, \quad (1)$$

where *TOBIN'S Q* represents company performance, *TOBIN'S Q(-1)* signifies the first lag in company performance, *FCB* tends for the family commissioners board, *FSIZE* for the size of the company, *FAGE* for the age of the company,  $\delta$  is the estimated content term and coefficient, and  $\varepsilon$  for the error term.

Equations 2 and 3 are used to test the debt effect (DEBT) and the interaction of FCB with DEBT using a tiered regression based on the study by Osazuwa and Che-Ahmad (2016), as follows:

$$TOBINS\ Q = \delta_{10} + \delta_{11}TOBINS\ Q(-1) + \delta_{12}FCB + \delta_{13}DEBT + \delta_{14}FSIZE + \delta_{15}FAGE + \varepsilon_i, \quad (2)$$

$$TOBINS\ Q = \delta_{10} + \delta_{11}TOBINS\ Q(-1) + \delta_{12}FCB + \delta_{13}DEBT + \delta_{14}FCB \cdot DEBT + \delta_{15}FSIZE + \delta_{16}FAGE + \varepsilon_i, \quad (3)$$

Where *TOBIN'S Q* represents company performance, *TOBIN'S Q(-1)* is the first lag in company performance; *FCB* the Family Commissioners Board; *DEBT* the firm debt; *FSIZE* the size of the firm, *FAGE* the age of the firm;  $\delta$  the estimated content term and coefficient; and  $\varepsilon$  the error term.

Finally, Equation 4 is used to test the difference in the effect of the FCB on the performance of com-

panies (*TOBIN'S Q*) with bank debt ( $DBDEBT = 1$ ) and non-bank debt ( $DBDEBT = 0$ ), as follows:

$$\begin{aligned} TOBIN'S Q = & \delta_{10} + \delta_{11}TOBIN'S Q(-1) + \\ & + \delta_{12}(DBDEBT = 1) + \delta_{13}FCB + \\ & + \delta_{14}FCB \cdot (DBDEBT = 1) + \\ & + \delta_{15}FSIZE + \delta_{16}FAGE + \varepsilon_i, \end{aligned} \quad (4)$$

where *TOBIN'S Q* represents company performance, *TOBIN'S Q*(-1) is the first shortfall in company performance; *DBDEBT* the Dummy for companies with bank debt ( $DBDEBT = 1$ ); *FCB* the Family Commissioners Board; *FSIZE* is the size of the company; *FAGE* the age of the firm;  $\delta$  is the estimated content term and coefficient; and  $\varepsilon$  is the error term.

### 3. RESULTS AND DISCUSSION

The descriptive statistics of research variables and company performance (*TOBIN'S Q*) are contained in Table 1. The average company performance (*TOBIN'S Q*) was 1.5033, with a maximum value of 13.0385 and a minimum of 0.0061. The average proportion of family commissioners was 0.3333, with a maximum of 0.7500. Debt (*DEBT*) had an average value of 0.1958, while company size (*FSIZE*) and age (*FAGE*) had average values of 28.4135 and 3.4054, respectively.

**Table 1.** Descriptive statistics

Variable	Mean	Median	Max	Min	Std. dev
TOBIN'S Q	1.5033	1.0347	13.0385	0.0061	1.3620
FCB	0.3369	0.3333	0.7500	0.1000	0.1373
DEBT	0.1958	0.1481	2.1477	0.0000	0.1819
SIZE	28.4135	28.4156	34.3406	22.7577	1.7813
FAGE	3.4054	3.4965	4.7184	1.6094	0.4440

*Note:* *TOBIN'S Q* is the market value of equity plus total debt value divided by total asset value. *FCB* represents the family commissioners' board. *DEBT* is the total long-term debt divided by assets. *SIZE* is the size of the company. Finally, *FAGE* is the age of the company.

According to Table 1, 33.69% of family companies in Indonesia appointed family members to their FCBs. Non-family members were appointed as

independent and non-independent commissioners. The findings of this study diverge from those of previous ones that employed a two-tier board system and found that the average proportion of family members appointed to a company's board of commissioners is higher in Indonesia than in Germany, where it is only 9% (Audretsch et al., 2013). This result also differs from earlier studies conducted in Indonesia, which showed that the average proportion of family commissioners active in family companies was 18.7% between 2008 and 2012 (Hidayat & Utama, 2015). This difference occurred because the study included only family-owned companies that appoint family members to their board of commissioners as research samples.

The correlation between independent variables and company performance is shown in Table 2. Except for family commissioners (FCB), all variables were significantly correlated to company performance. Debt has a significant correlation with company performance. On the other hand, company size (*FSIZE*) and company age (*FAGE*) were found to have a negative correlation with company performance.

**Table 2.** Correlation matrix

Variable	Correlation	t-Statistic
FCB	-0.0281	-0.9538
DEBT	0.1280	4.3672***
SIZE	-0.0801	-2.7209***
FAGE	-0.1250	-4.2620***

*Note:* *TOBIN'S Q* is the market value of equity plus total debt value divided by total assets value. *FCB* is the family commissioner board. *DEBT* is the total long-term debt divided by assets. *SIZE* is the size of the company. *FAGE* is the company's age. \*\*\*, \*\*, \* represent significance at the respective levels of 1%, 5%, and 10%.

Table 3 depicts the direct effect of an FCB on company performance, as well as the moderating effect of debt. According to Table 3, lags in company performance (*TOBIN'S Q* (-1)) have a significant positive impact on Tobin's Q (Models 1, 2, and 3). This finding shows that company performance is dynamic or endogenous to the lagged company performance.

The FCB has a coefficient of -0.6554 with a p-value < 0.05 and, therefore, a significant negative effect on company performance at a 5% significance level. The findings support *H1*, which states that an

FCB carries out entrenchment activities to the detriment of minority shareholders due to their excessive power and prejudices of non-family shareholders. This occurs as a result of excessive control and a desire to acquire more significant personal gain at the expense of minority shareholders (Claessens & Fan, 2002; Salas, 2010).

**Table 3.** Estimated findings for Models 1, 2 and 3

Variable	Model 1	Model 2	Model 3
	Coefficient (t-statistic)	Coefficient (t-statistic)	Coefficient (t-statistic)
TOBINS_Q(-1)	0.3144 (15.6272)***	0.3607 (20.9476)***	0.3729 (12.4089)***
FCB	-0.6554 (-2.5226)**	-0.6943 (-3.2989)***	-1.5578 (-1.8691)*
DEBT	-	0.6919 (3.8449)***	-4.5313 (-4.3122)***
FCB · DEBT	-	-	4.7042 (1.6554)*
SIZE	-0.6667 (-8.7913)***	-0.3868 (-7.0610)***	-0.5761 (-7.3242)***
FAGE	1.0769 (3.3659)***	0.3774 (1.6536)*	1.5235 (3.6856)***
Hansen test (p-value)	0.4076	0.1805	0.1670
Instrument	39	40	39
Observation	909	909	773
AR(1)	0.0030	0.0055	0.0044
AR(2)	0.2098	0.1045	0.1102

Note: TOBIN'S q is the equity market value plus the debt value divided by the assets' total value. The FCB is the family commissioner board. DEBT is the ratio of long-term debt to total assets. SIZE is the company size. FAGE is the age of the company. \*\*\*, \*\*, \* are significant at the respective levels of 1%, 5% and 10%. Hansen's p-value > 0.05 proved that the model used was over-identifying restrictions. AR (2) > 0.05 proved that the model used was from the second-order serial correlation.

The proportion of family-owned companies in Indonesia now exceeds 50% of the total number. Conflicts assume even greater significance when family members who manage commercial enterprises are not professional entrepreneurs. Moreover, the typical highly concentrated company ownership structure in Indonesia can cause conflicts of interest between majority and minority shareholders. An independent board is, therefore, required to resolve such conflicts.

These findings are consistent with those of previous research demonstrating that most shareholders utilize company resources to further their interests to the detriment of minority shareholders

(Haron & Ismail, 2016; Filatotchev et al., 2011). This finding is also consistent with Giovannini (2020) and Sumarsono (2014), who all found that FCBs negatively affect company performance. The conclusions of this analysis are in line with Type II agency theory that asserts that an FCB undertakes entrenchment actions for its own benefit by prejudicing minority shareholders (Giovannini, 2010).

Another argument concerning the performance of companies with highly concentrated ownership is based on the notion of agency theory, which is positive in character (Al-Janadi, 2021). The concentration of ownership within the company can reduce agency problems between shareholders and management by directly influencing the latter to protect the former's interests, thereby reducing agency conflict costs. Shareholders will have more authority to supervise management decisions if a high concentration of ownership exists (Zeckhauser & Pound, 1990).

The interaction coefficient value of an FCB with debt (FCB · DEBT) is 4.7042 with a p-value < 0.1 (Table 3, Model 3). This study reveals that at a significance level of 10%, debt moderates the effect of an FCB on company performance. The positive coefficient shows that debt prevents entrenchment behavior toward non-family shareholders. Hence, H2 is accepted. Debt acts as a quasi-moderator because the debt coefficient (DEBT) is significant (Model 2) at a level of 1%. The coefficient interaction of the FCB with debt is also significant at a level of 1% (Model 3) (Sharma et al., 1981). This evidence shows that debt has a direct impact on company performance. However, it moderates the effect of an FCB on that performance.

These findings imply that debt could act as a company's governance mechanism to overcome the moral danger of an FCB in relation to minority shareholders. This discovery is consistent with Jensen's (1986) control hypothesis, which holds that debt commits a company to preparing funds to repay it. It also limits management's ability to use free cash flow for other purposes or over-investment (Jiang & Kim, 2015). This finding is also consistent with Audretsch (2013), proving that the proportion of debt forces company board members to execute their roles and functions in a professional manner. Therefore, company performance im-

proves, and management increases in competence (Yen et al., 2015). Debt is vital in reducing company managers' moral hazard behavior and preventing agency problems between family and minority shareholders (Type II agency theory).

From these results, it can be interpreted that debt, as a governance mechanism, has helped to protect minority shareholders. Furthermore, the existence of debt will encourage the board of directors to manage the company competently by enhancing its performance. The board of directors also serves as a link between majority and minority shareholders, as well as management. Family-owned companies usually appoint a board of directors from among family members, making it easier to harmonize the parties' competing interests. Corporate governance has also been regulated in the Indonesian Financial Services Authority Regulations, which must be implemented to ensure rigorous corporate governance, demonstrating transparency, accountability, responsibility, independence, and fairness.

Table 4 shows the different effects of an FCB on company performance (*TOBIN'S Q*) when comparing companies with bank debts and non-bank debts. As illustrated in Table 4, the coefficient interaction of an FCB with companies having incurred bank debt ( $FCB \cdot (DBDEBT = 1)$ ) is 0.5029 with a  $p$ -value  $> 0.1$ . Therefore, this result is insignificant at a significance level of 10%. This finding proves their effect on company performance is insignificant when comparing family-owned concerns with bank and non-bank debts. Since  $H3$  is rejected, entrenchment produces no difference between these variables. An FCB had a significant negative effect on performance both in companies with bank debt and those with non-bank debts. The group of companies with non-bank debt ( $DBDEBT = 0$ ) has a negative effect of  $-1.1294$  with a significance level of 1% ( $p$ -value  $< 0.01$ ), as well as a negative effect of  $-0.6265$  (companies' performance with a significance level of 5% in the group with bank debt ( $DBDEBT = 1$ )). This value of  $-2.0844$  with a  $p$ -value  $< 0.05$  is calculated using Wald's  $t$ -statistic test. Although there is no significant effect, this finding shows the negative impact of an FCB on company performance, which is more potent in commercial enterprises with bank debt than in those with non-bank debts.

**Table 4.** Estimated findings for Model 4

Variable	Coefficient	t-statistic
<i>TOBINS_Q</i> (-1)	0.3081	15.5186***
$DBDEBT = 1$	-0.2279	-1.4304
FCB	-1.1294	-2.9040***
$FCB \cdot (DBDEBT = 1)$	0.5029	1.3365
SIZE	-0.6463	-8.0155***
FAGE	0.8859	2.4091**
Wald test ( $\delta_{13} + \delta_{14}$ )		-2.0844**
Hansen test ( $p$ -value)		0.2935
Instruments number		41
Observations number		909
AR(1)		0.0038
AR(2)		0.1855

Note: *TOBIN'S Q* is the market value equity plus total debt value divided by total assets value.  $DBDEBT = 1$  is a company group in receipt of bank loans. The *FCB* is the family's board of commissioners. *SIZE* is the size of the company. *FAGE* is the age of the company. \*\*\*, \*\*, \* are significant at the respective levels of 1%, 5%, and 10%.

These findings indicate that bank debts do not enhance company monitoring ability compared to non-bank debts. This occurs because FCB's entrenchment behavior is the same in both debt groups. Bank debt does not represent a monitoring tool because it is attributed to weak bank supervision and that of affiliated companies (Chavarín, 2016). Companies that have unique relationships with banks undermine their competence. Moreover, with companies receiving credit from them, the competition between banks is intense. Such rivalry precipitates greater bank dependency on companies.

Companies securing credit from various banks has led to monitoring responsibilities shifting from one lender to another. This behavior weakens their financial monitoring function, particularly if all creditor banks act similarly. These results align with those of Marinč (2009), which indicated that the monitoring function deteriorates when the debtor company secures loans from several banks. However, this result contradicts the findings of Yen et al. (2015) which stated that banks monitor companies more effectively than other creditors.

Finally, the use of bank and non-bank debt is primarily determined by the financial health



of the company in question. Financially sound commercial enterprises tend to resort to bank debt. Poorly financed companies, on the other hand, are more likely to rely on non-bank debt for funding. In addition, companies use bank and non-bank debt as complementary to, rather than as a substitute for, the company's funding source (Yu et al., 2009).

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## CONCLUSION

The paper investigates how the family commissioner board impacts firm performance, both in the presence and absence of bank debt. Based on the findings, the family commissioner board negatively impacts company performance. The commissioners carry out stronghold activities by exploiting company resources and harming minority shareholders. Additionally, debt moderates the influence of family commissioner boards by helping to prevent their entrenchment behavior, thereby improving firm performance. The final influence on company performance shows that there is an insignificant difference between companies that have bank debt and non-bank debt. This means that the function of supervising bank debt in family companies is no different from the function of supervising non-bank debt.

These findings provide empirical evidence that family commissioner boards undertake entrenching actions against non-family shareholders, although debt plays a vital role in preventing this. The research results provide empirical evidence regarding the behavior of family commissioner boards entrenchment in family companies with and without bank debt. Practically, the results of the investigation provide policy implications for the relevant authorities regarding family company governance mechanisms in Indonesia. It is crucial to identify the optimal way to appoint family members to the board of commissioners because this will protect the interests of all shareholders.

This study examines the effect of family commissioner boards on company performance. However, it does not investigate the differences between companies with high or low numbers of family commissioner boards. Future research, which can be conducted through trial and error, should examine the effect of this proportion. Furthermore, this study does not consider the influence of several generations of the same family being involved in family commissioner boards. Future research could examine the effects of having members of successive generations of a single family on the board. Family companies managed by the founder and the successor generations have probably experienced contrasting performance outcomes.

## AUTHOR CONTRIBUTIONS

Conceptualization: Sofyan Idris.  
Data curation: Said Musnadi, Sofyan Idris.  
Formal analysis: Mahdani Ibrahim.  
Funding acquisition: Mahdani Ibrahim.  
Investigation: Said Musnadi.  
Methodology: Said Musnadi.  
Project administration: Said Musnadi, Mahdani Ibrahim.  
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