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The Role of Good Corporate Governance in the Association of Family Ownership Structure and Financial Performance- Indonesia Context

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Abstract

In emerging countries like Indonesia, family ownership has greater discretion than those in developed nations in choosing policies to maximize their interest. Moreover, family ownership as a backbone of Indonesia listed companies, more than 95% of registered companies in Indonesia controlled by the family. It is essential to interested parties including government to discern the role of GCG level to minimize the bad side of family ownership. Prior research only assumed the level of GCG as general. This study measures the GCG level in each of the firms to avoid the misleading inferences of the superiority of family ownership in achieving a sound firm performance. All the listed companies in Indonesia Stock Exchange, excluding bank and financial institution sectors, are selected as the research sample. There are 1261 firm-year-observation from the six years of 2010 to 2015. The results support that GCG level has a significant role in the association between family ownership and firm performance.

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