Do the Characteristics of Family or Non-family Businesses Matter in Explaining Earnings Quality?

Golrida Karyawati Purba \textsuperscript{a}, Audrey Natasha Surya \textsuperscript{b}, Prem Lal Joshi \textsuperscript{c}, Anshu Tyagi \textsuperscript{d}

\textsuperscript{a} Universitas Pelita Harapan, Indonesia
\textsuperscript{b} International Journal of Auditing and Accounting Studies, India & Former Professor of Accounting a MMU Malaysia and UOB, Bahrain
\textsuperscript{c} Rukmini Devi Institute of Advanced Studies, GGSIPU, New Delhi, India

https://doi.org/10.35609/gcbssproceeding.2023.1(15)

ABSTRACT

This study examines whether the characteristic of family or non-family businesses matters in explaining earnings quality. This study analyzed 312 firms listed on the Indonesia Stock Exchange (IDX) for the period 2016–2020. To obtain robust results on the relationship between FB/NFB characteristics and earnings quality, this study measures earnings quality comprehensively, including measurements of available opportunities for earnings management, earnings management practices, earnings persistence, earnings restatement, and investor responsiveness to earnings quality. The regression analysis panel is employed to examine the effect of FB and NFB characteristics on earnings quality. Overall, the results prove that FB earnings quality is better than NFB earnings quality. The results of this study extend the implementation of socioemotional wealth theory in explaining the characteristics of FB, in which the characteristics of FB and non-FB have an impact on earnings quality. The results of this study are useful for financial statement analysts in interpreting earnings quality based on the characteristics of FB and NFB. The results of this study are also useful for investors in understanding financial statements as part of the fundamental analysis of investment decisions.

Keywords: Earnings Quality, Family Business (FB), Non-family Business (NFB), Socioemotional Wealth Theory