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Female Family Echelon and Capital Structure Decisions in Family Firm

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family firm, female manager, female commissioner, family ownership. socioemotional wealth, capital structure, leverage decision.
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ABSTRACT
This research aims to examine how female family echelons (the presence female family on commisioner or director) effect on leverage. Sample use in research are 1374 firms years observation from nonbank and nonfinancial sector actived trade on Indonesia Stock Exchange over 2011 to 2015. Using regression of fixed effect model, this finding suggest that family firm are less leverage than nonfamily firm. Proportion of family ownership, family commisioner and family director insignificant affect on leverage, however, relationship between family ownership and leverage are significantly nonlinear (U-shape). Female family echelons effect on leverage. Family firms more risk averse than nonfamily firm due to involvement women on family echelons.

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INTRODUCTION

Some theories of capital structure such as trade-off theory and pecking order most widely accepted. Trade off theory assumes maximum firm value can be obtained with an optimal capital structure. The optimal capital structure can be determained by balancing the benefit of using debt. Meanwhile. pecking order theory claims that firms prefer to use internal funding over external. Manager follow a funding hierarchy of retained earnings, debt and equity issues as the last. Taken sparately, this theories cannot explain in capital structure between family and non-family firms and within family businesses (Gottardo & Moisello, 2016). Family firms use more or less debt than non-family firms is not widely accepted.

Since the seminal work of (Anderson et al., 2003), how family ownership affects capital structure has been more attention, however, most of the studies focus on the differences between family and nonfamily firm. Anderson et al. (2003) argue that family firms will have higher level of debt than non family firms because family firm have lowers the cost of debt. Otherwise, using a sample of Chinese listed firms, Gao et al.(2020) show evidence that family firms generally take less debt and have lower debt due to the high cost.

Based on a cross-country analysis, Ellul (2009) found that family firms have higher leverage ratios than nonfamily firms. In developing market such as Indonesia, ownership concentration positively affects the leverage of family firms (Driffield et al., 2007) and Mulyani et al., 2016). Setia-Atmaja et al. (2009) argue that poor governance can lead to greater debt. John and Litov (2010) show that firms with management entrenchement use more debt finance. Family firms relatively more leverage than nonfamily firms whether controlled by founder or not (Burgstaleer and Wagner, 2015). The other studies which examine the relationship betwen family firm and debt level, found opposite results. Ampenberger et al. (2013) found that family firms have lower leverage ratios than non-family firms. Likewise in public sector, Mishra and McConaughy (1999) found that family firms negatively affect debt. Family ownership have negative effect in private family firms (Gallo and Vilaseca, 1996), however, Coleman and Carsky (1999) and Bjuggren, Duggal, and Giang (2012), found that no significant differences in debt level between family and nonfamily firms. This contrasting results may be affected by the heterogeneity among the family firms (Michiels and Molly, 2017)

It is commonly accepted that family firms are heterogenous entities (Chua et al. 2012, Rau et al., 2019, Schmid et al., 2015,).The heterogeneity of family firms has been caused from broadly grouped according to goals related, governance related, resources related and characteristics of family firm such as size, industry and firm age (Michiels & Molly, 2017 and Chua et al., 2012). The family's involvement in ownership, supervisory and management is a family governance mechanism that cause of heterogeniety and can also lead to a wide variety of outcomes (De Massis et al., 2019). These research suggest that heterogeniety of family firms behave differently in their choice of capital structure.

Mishra & McConaughy (1999) found that lower level of debt in family firms is driven by founding family peculiarities rather than by the level of managerial ownership. Kim and Gao (2013) state that involvement of family in firm is a key characteristic differentiating family from nonfamily firms. Gottardo & Moisello (2016) explain the differences in leverage between family and non-family firms depend on some firm's characteristics, i.e. multiple family members on the supervisory board od commisioner, board of director or management, and ownership dispersion.

In addition, resource-related as a source of heterogeneity also could be taken into account when examining debt policy in family firms. The research related to the human resources available to the family firm are interesting to study especially how gender in family firm affect financing decision (Michiels & Molly, 2017). Although many studies have examined how gender differences affect on capital structure (Barno, 2017; Huang & Kisgen, 2013; Coleman, 2009), but still rare previous studies has considered the impact of female family members involvement on debt policy.

This study aim to fill this gap by focusing on capital structure of family firms run specifically by female family echelons (female family commissioner and or female family director), particularly in the context of a emerging market which adopts a two tier board system, such as Indonesia. In the context of Indonesia, board of directors is responsible

for managing the daily operations of the firms and board of commisioner is responsible for supervisory and advisory. There is still a paucity of research addressing heterogeneity of family firms owned, supervisory and managed specifically by women (Campopiano et al., 2017; Welsh et al., 2018). There are need to explore how gender family echelons (female family member who involve in supervisory board or board of commisioner (BOC) and management or board of director (BOD) affect finance decision, particulary debt stucture.

This study makes main contributions to business research. First, this research adds to literature on how the heterogeniety of family firms, particularly presence female family echelons affect debt policy. To the best of my knowledge in Indonesia setting, this paper is the first to examine how gender of family echelons (family director and/ or family commisioner) as powerfull actor in family firm affect capital structure decisions. Second, this research analyse the capital structure of family firm in Indonesia context which tend to exhibit concentrated ownership and family control. Claessens, Djankov, Fan, and Lang (1999) found that most listed company in Indonesia are family controlled. How capital structure of family firms in Indonesia interesting to study because family businesses in Indonesia are still in the growth phase and future prospects of many businessesis uncertainty (Mulyani et al., 2016).

Literature Review and Hypothesis Development

In line with Ntoung et al. (2019), capital structure decission are motivated by the level of risk. Leverage is used as a means of increasing/ reduce firm risk because more leverage increase/decreases the probabilityof financial distress (Latrous & Trabelsi, 2012). Family firm tent to avoid debt and have less leverage than non-family firm (Hiebl, 2012) because family firms are more risk-averse than non-family firms. Some empirical studies in German show that family firm have lower level of leverage than non-family firm (Ampenberger et al., 2013). Ntoung et al. (2019) found that family firms have lower financial structure than those of non-family firm on unlisted small and medium size firms over the period 2007–2014 in Spain. Using sample on the French stock market over the period 1998 to 2002, Latrous & Trabelsi (2012) show that family firms is significantly lower debt than that of non-family firms.

Hyphothesis 1:

Family firm have lower level leverage than non-family firm.

Gomez-Mejia et al.(2007) show that the risk aversion of family firms depend on the situation in which a family firm finds itself. In line with Gottardo & Moisello (2016), this research suggest that the differences in leverage are related to the caracteristics of family involvement on board of commusioner, director and ownership. Family involvement in business through ownership, management, and control affects capital structure decisions (Ahmed Moussa & Elgiziry, 2019). Based on control-motivation hypothesis, the desire to maintain control by family may therefor be indicative of higher leverage (Ellul, 2009). Croci et al. (2011) shows that family firms issue more debt mainly due to control considerations, suggesting that the risk reduction motive in family firms is weaker than the control motive. Within the family businesses, higher proportion of family ownership, family comisioner and family management increases the Socioemotional Wealth (SEW), need to retain their control and the embeddedness of firm in the family so increasing the use of debt.

Hypothesis2:

- Proportion of family ownership positively affects leverage decision.
- Proportion of Family director positively affects leverage decision.
- Proportion of Family commissioner positively affects leverage decision.

Prior studies show that association between family ownership and leverage are nonlinear. Setia-Atmaja et al.(2009), which examines annual panel data over a six-year period from 2000 to 2005 on Australian Stock Exchange, found that the family ownership and debt relationship takes an inverse U-shape. Debt first increases as family ownership increases at the certain level then decreases with increasing family ownership (Latrous & Trabelsi, 2012). The family ownership would cut down debt after controlling shareholders' ownership reaches a certain threshold due to the risk of financial distress (Lo et al., 2016). However, Mbanyele (2020) shows

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that there is a non linear (U-shape) relationship between family ownership and leverage. The nonlinear U-shaped relation suggest that family firm are most prone to conflict, and least willing to assume additional risk through debt, when ownership is split in relatively equal proportions (Schulze et al., 2003). Family firm are more risk averse, however family firm might accept the greater risk to protect their socioemotional wealth (Gomez-Mejia et al., 2011). Lee et al. (2018) found that non-linear (U-shaped) relation exists between family ownership and a firm's risk taking.

Hypothesis 3:

There is nonlinear relationship between the family ownership and leverage decision.

The finance and psycology literature notes that gender is the main proxy for the level of self-confidence and risk-averse. Male executive tend to be more confident and tolerant of risk, while female executive are more risk averse and more conservative and less risk-taking (Huang & Kisgen, 2013). On the financial decision making, women relatively more risk averse than men (Jianakoplos & Bernasek, 1998). Female manager are less likely to issue debt than male manager (Huang & Kisgen, 2013). Involvement women on the board or top managemet teamt influence the process of decision-making (Gomez-Mejia et al., 2011). The presence of women in top management team is negatively associated with corporate risk taking (Widyawati et al., 2018). Female directors negatively affects on debt decision (Setiawan & Navianti, 2020), while male CEO affected significantly positive on leverage. (Nilmawati et al., 2021). From this description, it can be supposed that female family echelons are more risk averse and tend to avoid debt. Therefore, the hypothesis proposed is

Hypothesis 4:

- Female family director is negatively related to leverage decision.
- Female family commissioner is negatively related to leverage decision.

RESEARCH METHODS

The sample used in this study was firm actively trade in the Indonesia Stock Exchange over the period 2011 to 2015. Unbalance panel data collected from many source such as financial reports, annual reports, company prospectus, and others source on internet. After removing financial firms and banking industry from the sample, excluding observation with incomplete data, 347 public listed companies with 1374 observations were selected over the sample period.

According to Ampenberger et al. (2013), family firm was defined with three criteria, fist, founder and/ or family member has voting rights of at least 25% (familyownership) and/ or, second, if family ownership less than 25%, at least one of member of family was represented in supervisory board (Commisioner) and/or, third, at least one of family member was involved in managerial board (Director). There were 934 samples of observations with number of companies identified as family firm amounted to 246 companies. The amount of data is not the same every year due to several things. *First*, some data cannot be identified so the data is incomplete. *Second*, existence of data with extreme value (outlier) can produce bias in estimation so that it must be removed from sample. *Third,* not all companies meet the sample criteria of family firms in all years of observation. Some companies that initially belong to the category of family companies, in the following year is not included in the family company category.

Table 1 provides summarizes the variable definition used in this research.The dependent variables is Leverage. Independent variable are Family Firm, Family ownership, Family Commisioner, Family Director, Female Family Commisioner, and Female Family Director.

This research also include some control variables to explain the dependent variable (Leverage) which are Profitability, Firm Age, Growth and Size.Profitability was measured by Return on Assets (ROA) have negative relationship with debt ratio (Purag et al., 2016).Debt financing is not required when companies' profit as internal fund used to support their investment and project. Ampenberger et al. (2013) found that firm age (measured by the natural logarithm of years since invorporation) positively correlate with the level of leverage. The older firms have a better borrowing capacity than younger firm.The firm with high sales growth will need more funding, so they

can increase their external funding (Puspitasari & Ekaningtias, 2017). Sales growth has positive effect on the leverage. Ampenberger et al. (2013) and Purag et al. (2016) found that firm size have a positive and highly significant correlation with the level of leverage. Large firm gain more confidence from lender to provide fund to the firm than small firm.

To examine the hypothesis, this research used fixed effect and unbalance panel data.. The empirical models to test the first hypothesis as follows:

$$\textbf{Leverage} = \beta_0 + \beta_1 FF_{it} + \beta_2 Profitability_{it} + \beta_3 FirmAge_{it} + \beta_4 Growth_{it} + \beta_5 Size_{it} + \varepsilon$$

The following equation is used to examine the hypothesis 2, hypothesis 3 and 4:

$$\textbf{Leverage} = \beta_0 + \beta_1 FOwn_{it} + \beta_2 FOwn_{it}{*}FOwn_{it} + \beta_3 FCom_{it} + \beta_4 FMan_{it} + \beta_5 FemaleFC_{it} + \beta_6 FemaleFM_{it} + \beta_7 Profitability_{it} + \beta_8 FirmAge_{it} + \beta_9 Growth_{it} + \beta_{10} Size_{it} + \varepsilon$$

where i = company, t = year, β_0 = constant term, and ε = residuals.

Table 1. Variable Definition

Variable	Name	Measurement	Scale
Leverage	Debt to Total Asset	The ratio of total debt to total asset	Ratio
FF	Family Firm	A dummy variable; equals 1 if a firm is identified as a family firm and 0 otherwise	Nominal
FOwn	Family Ownership	Percentage of share owned by family	Ratio
FCom	Family Comissioner	Ratio of family commisioner to the total number of commisioner at the board level	Ratio
FMan	Family Director	Ratio of family director to the total number of director at the board level	Ratio
FemaleFC	Female Family Commisioner	A dummy variable; equals 1 if a firm has at least one female family directors on its board of commissioner and 0 otherwise	Nominal
FemaleFM	Female Family Director	A dummy variable; equals 1 if a firm has at least one female family directors on its board of director and 0 otherwise	Nominal
Profitability	Return On Asset	Ratio profit after tax to total asset	Ratio
FirmAge	Natural Logarithm of Firm Age	The natural logarithm of the company's lifetime since its establishment	Ratio
Growth	Sales Growth	$(Net\ Sales_t - Net\ Sales_{t-1}) / Net\ Sales_{t-1.}$	Ratio
Size	Firm Size	Natural logarithm of Total Asset	Ratio

RESULTS AND DISCUSSION

Result

Table 2 exibit the numbers of observations and the descriptive statistics of each variables used in this research. Table 2 panel A, summarizes the number of observations for family firms and female family echelons (involvement female family member on the board commisioner or director). For about 68% (934 firm years observation) of full sample (1374 firms years observation) categirized as family firm. Furthermore, the percentage of family firm that involve family member on the board of commisioner (family commisioner) are about 70% (654 firms year observation) and 65% of family firm (604 firm year observations) involve family member on the board of director (family director). From data family commisioner (FC) and family director (FM) can be seen that percentage of female family commisioner (FemaleFC) are 34% and female family director (femaleFM) are 27%.

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Table 3. Correlation Matrix

Panel A . Correlation matrix for full sample (N=1347)									
	Leverage	**FOwn**	**FCom**	**FMan**	**FemaleFC**	**FemaleFM**	**Profitability**	**FirmAge**	**Growth**
FOwn	0.011								
FCom	0.079	0.574							
FMan	0.013	0.362	0.428						
FemaleFC	0.041	0.315	0.463	0.201					
FemaleFM	0.024	0.229	0.233	0.427	0.154				
Prfitability	-0.070	-0.079	-0.059	-0.063	-0.054	-0.000			
FirmAge	-0.000	-0.205	7.53E-05	-0.002	0.073	-0.031	0.159		
Growth	0.008	0.018	-0.013	0.028	0.023	0.026	0.104	-0.143	
Size	0.187	-0.111	-0.145	-0.231	-0.034	-0.047	0.106	0.094	0.045

Panel B. Correlation matrix for family firm sample (N=934)									
	Leverage	**FOwn**	**FCom**	**FMan**	**FemaleFC**	**FemaleFM**	**Profitability**	**FirmAge**	**Growth**
FOwn	-0.070								
FCom	0.081	0.235							
Fman	-0.017	-0.099	0.209						
FemaleFC	0.035	0.138	0.381	0.061					
FemaleFM	0.014	0.053	0.120	0.366	0.084				
Profitability	-0.033	0.075	0.029	0.013	-0.010	0.054			
FirmAge	0.021	-0.102	0.163	0.137	0.174	0.019	0.060		
Growth	-0.008	-0.024	-0.046	0.015	0.019	0.025	0.129	-0.142	
Size	0.214	0.034	-0.089	-0.229	0.018	-0.013	0.085	-0.011	0.073

Panel B on table 2 shows the average of leverage in Family firm is more higher than the average of leverage in full sample. The average of leverage is 0.4777 for family firm sample and 0.4685 for all of firm. On average, family firm hold 54.17% ownership. Higest value of family ownership (FOwn) is 0.972 and minimum value is 0.05. Even though thefamilyholds 5% ownership (not as ultimate ownership), if it involves family member on commisioner and or director, it is categorized as family firm.There are family firm that all of the director are family member (100% family director) but percentage of family commisioner (FCom) maximal 75%.The average of family commisioner (FCom) is 18.21% (0.1821) for full sample and 26.40% (0.2640) for family firm sample. Percentage of family director (FMan) on average is 15.39% for full sample and 20.83% for family firm sample.

Table 3 show the correlation matrix for all variable in two samples (all sample and famly firm sample).. The correlation between FOwn and FCom variables on correlation matrix full sample (Panel A) was about 0.574. The relationship between FCom and FMan was about 0.428 and the correlation between FCom and FemaleFC was 0.463. However, the correlation between two of independent variable on correlation matrix of family firm sample (table 2 Panel B) are relatively low, less than 0.70 is considered acceptable in many studies, such as (Ahmed Moussa & Elgiziry, 2019). No high correlation matrix for all variables indicate the model does not suffer from any multicollinearity problems.

Table 4. presents the regression of result using Fixed Effect Model. The result of model 1 in table 4 show that coefficient of FF are negative and significant. (the coefficient is is -0.0937, $p< 0.01$). This finding is consistent with Ampenberger et al., (2013), Ntoung et al. (2019) and Latrous & Trabelsi (2012). Thus, the results support Hypothesis 1 (family firm have lower leverage than nonfamily firm). These finding is indicated that family firm are more risk averse than non-family firm. These findings indicate that family firms are more risk-averse than nonfamily firm.

Table 3. Correlation Matrix

Panel A . Correlation matrix for full sample (N=1347)

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Prfitability	-0.070	-0.079	-0.059	-0.063	-0.054	-0.000			
FirmAge	-0.000	-0.205	7.53E-05	-0.002	0.073	-0.031	0.159		
Growth	0.008	0.018	-0.013	0.028	0.023	0.026	0.104	-0.143	
Size	0.187	-0.111	-0.145	-0.231	-0.034	-0.047	0.106	0.094	0.045

Panel B. Correlation matrix for family firm sample (N=934)

	Leverage	FOwn	FCom	FMan	FemaleFC	FemaleFM	Profitability	FirmAge	Growth
FOwn	-0.070								
FCom	0.081	0.235							
Fman	-0.017	-0.099	0.209						
FemaleFC	0.035	0.138	0.381	0.061					
FemaleFM	0.014	0.053	0.120	0.366	0.084				
Profitability	-0.033	0.075	0.029	0.013	-0.010	0.054			
FirmAge	0.021	-0.102	0.163	0.137	0.174	0.019	0.060		
Growth	-0.008	-0.024	-0.046	0.015	0.019	0.025	0.129	-0.142	
Size	0.214	0.034	-0.089	-0.229	0.018	-0.013	0.085	-0.011	0.073

Model 2 in table 4 (full sample) show the coefficient of FOwn, FCom and FMan have negative values but for family firm sample (model 4) have postive values. However these coefficient are not significant. Proportion of family ownership, proportion of family commissioner and proportion of family director didn't affect on leverage decision. The hypothesis 2 (H2a, H2b and H2c) are not support. This finding incosistent with Latrous & Trabelsi (2012), however, this result support Ampenberger et al. (2013), family ownership and family involve on supervisory board had no significant effect on the leverage.

To test nonlinearity effect between family ownership and leverage (hypothesis 3), this research include the square of family ownership (FOwn*FOwn) on the regression model. Model3 and Model 5 on table 4 can be seen that coefficient of FOwn*FOwn have significant value. This result show that family ownership have nonlinear effect on leverage. This finding support the hypotesis 3, there is nonlinear effect proportion family ownership on leverage. The positif coefficient of FOwn*FOwn indicates a nonlinear (U-shaped) relationship between family ownership and leverage. This finding inconsisten with Setia-Atmaja et al. (2009) and Latrous & Trabelsi (2012), however this findings support Mbanyele (2020) and Schulze et al. (2003).

Table 4. Regression Result Multivariat Analysis Fixed Effect

Dependent Variable: Leverage					
Model	**Model 1**	**Model 2**	**Model 3**	**Model 4**	**Model 5**
Sample	ALL Firm	ALL Firm	ALL Firm	Family Firm	Family Firm
N	347/1374	347/1374	347/1374	246/934	246/934
C	0.0719 (0.3180)	0.0481 (0.2121)	0.1354 (0.5952)	-0.0724 (-0.3085)	-0.0023 (-0.0099)

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Dependent Variable: Leverage					
Model	**Model 1**	**Model 2**	**Model 3**	**Model 4**	**Model 5**
FF	**-0.0937 (-3.3172)*****				
FOwn		0.2121 (-1.0669)	**-0.3744 (-3.4682)*****	0.0517 (1.1792)	-0.2704 .(-1.6123)
FOwn*FOwn			**0.3734 (3.3046)*****		**0.2984 (1.9896)****
FCom		-0.0560 (-1.1464)	-0.0490 (-1.0070)	0.0147 (0.3140)	0.0133 (0.2846)
FMan		-0.0319 (-0.6718)	-0.0095 (-0.2000)	0.0633 (1.3798)	0.0597 (1.3039
FemaleFC		**-0.0427 (-1.6840)***	**-0.0523 (-2.0622)****	**-0.0399 (-1.7736)***	**-0.0473 (-2.0804)****
FemaleFM		**-0.0527 (-2.0759)****	**-0.0497 (-1.9663)****	**-0.0416 (-1.8091)***	**-0.0426 (-1.8555)***
Profitability	-0.3620 (-6.8717)***	-0.3304 (-6.3841)***	-0.3320 (-6.4456)***	-0.3260 (-4.8908)***	-0.3323 (-4.9903)***
LnFirmAge	0.0904 (2.0870)**	0.0889 (2.0673)**	0.0888 (2.0745)**	0.0866 (1.9075)*	0.0872 (1.9250)*
Growth	0.0136 (1.4110)	0.0204 (2.1609)**	0.0204 (2.1796)**	0.0244 (2.2727)*	0.0251 (2.3365)**
Size	0.0090 (1.0179)	0.0092 (1.0292)	0.0067 (0.7572)	0.0123 (1.2891)	0.0126 (1.3184)
R^2	0.8620	0.8648	0.8662	0.8931	0.8937
Adj R^2	0.8141	0.8169	0.8187	0.8522	0.8528
F	17.995	18.073	18.230	21.858	21.884
Prob_F	0.0000	0.0000	0.0000	0.0000	0.0000

t-statistic in parenthese
*Significant at level 10%, **Significant at level 5%, ***Significant at level 10%.

Interestingly, although proportion family commisioner and family management have no effect on leverage, however female family commisioner (FemaleFC) and female family management (FemaleFM) have negatively significant effect. The results support hypothesis 4a and 4b that there is a significant and negative effect female family echelons (family commisioner and/or family director) on leverage decision. Consisent with Huang & Kisgen (2013), Widyawati et al.(2018), and Setiawan & Navianti (2020), the negative and statistically significant coefficients for the female family echelons reconfirm that presence female family member on board of comisioner and/or director make financial decision making in family firm are more risk averse.

The control variables included in the model (Profitability, Firm Age and Growth) have significant coefficients but the coefficient of firm size is not significant. The relation between profitability and leverage is negatively significant. In line with Latrous & Trabelsi (2012), this research consistent with pecking order hypothesis, family firm with higher profitability is assosiated with lower level of leverage. This research find that firm age has positive effect on leverage. The older firms tend to have a larger debt capacity than younger firms (Ampenberger et al., 2013). Consistent with Puspitasari & Ekaningtias (2017) this research also found that Growth (measured by sales growth) is positively correlated with the level of leverage in most models. However, firm size have no significant effect on leverage.The firm size insignificant affect leverage due to the firm size didn't guarantee the interest of investors or creditors in investing funds to the firm (Oktavina & Manalu, 2018).

DISCUSSION

This research find that family firm have less leverage than nonfamily firm. Consistent with (Ampenberger et al., 2013, Ntoung et al. 2019 and Latrous & Trabelsi, 2012), family firm tend to avoid debt and have less leverage than nonfamily firm. This finding indicated tha family firms are more risk averse than nonfamily firms (Gomez-Mejia et al., 2011; Hiebl, 2012). This result show that proportion of family ownership have no effect on leverage. This finding consisten with Ampenberger et al. (2013) argument that ownership per se didn't affect on leverage.

Previous result found that nonlinear effect family ownership on leverage (Setia-Atmaja et al., 2009; Latrous & Trabelsi, 2012; Mbanyele, 2020; and Schulze et al., 2003). Consistent with Mbanyele (2020) and Schulze et al. (2003), this research find the nonlinear (U-shaped) relation family ownership on leverage. This finding support Gomez-Mejia et al. (2011) statement that family firm are more risk averse, however family firm might accept the greater risk to protect their SEW. Family firm prefer increasing business risk over loss their socioemotional wealth.

According to Schulze et al. (2003), the nonlinear U-shaped relation suggest that family firm are most prone to conflict, and least willing to assume additional risk through debt, when ownership is split in relatively equal proportions. An increasing in the proportion of family ownership initially reduce the level of debt, when it reaches a certain level, an increasing in the proportion family ownership will increase debt. If a family holds relatively small shareholdings, they may not pursue their utility maximization with debt to maximizing the firm's value, on the other hand, if family holds more than 50% ownership, the family usually more risk taking (accept the greater debt) to maximize the firm value (Lee et al., 2018).

Contrary with Gottardo & Moisello (2016) argument that the involvement of numerous family members on the board or management results in a more participative decision process (in case of leverage decision). This research find that proportion of family commisioner and proportion of family director didn't affect on leverage decision. This research support Ampenberger et al. (2013) that found family participation in the supervisory board didn't affect on leverage. This finding suggest that the differences in leverage within family firm and nonfamily firm aren't related to the proportion of family involvement.

Although proportion of family commisioner and family director have no effect on leverage, however, this research find that female family commissioner and director negatively affect leverage. As powerfull actor on family firm, gender of family echelons affect leverage decision. In line with previous studies (Huang & Kisgen, 2013; Widyawati et al.,2018; and Setiawan & Navianti, 2020), this result suggest that presence female family member on board of comisioner and director relatively more risk aversion in financial decision making.The lower leverage in family firm seem to be mainly driven by female family echelons (family commisioner and/or director) rather that proportion of family commisioner or family director.

CONCLUSION

This research explores whether leverage of family firms differs from nonfamily firms. In Indonesia context, this research find that family firm have less leverage than nonfamily firm. This finding suggest that family firm more risk averse than nonfamily firm. Eventhough family firm are more risk averse, howeverfamily firm might accept higher leverage (in means higher risk) to protect their Socioemotional Wealth (SEW). The research find nonlinear (U-shaped) effect proportion of family ownership on leverage.The family firm will be more risk taking to maximize the firm value. This research suggest that risk aversion of family firm is not driven by proportion of family involvement however driven by involvement female family on board of commisioner or director. .

This research has some contribution to providing additional literatur on family firm by supporting empirical evidence how differences in leverage within family firm and nonfamily firm and how gender family echelons affect leverage decision. Future studies may consider looking at the characteristic of family echelons as powerfull actor in family firm on decision making process. Characteristic of family echelons such as age, education, experiences, political conection and so on, can be considered as factors effect on debt policy.

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This research is limited to the nonbank and non-financial sector of firms actively listed on Indonesia Stock Exchange over 2011 to 2015. Research with a longer period and richer sample characteristic will provide more satisfactory results.

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