

DO FAMILY OWNERSHIP AND GROWTH OPPORTUNITY AFFECT FIRM VALUE?



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Abstract

This study investigates the effect of family ownership and growth opportunity on firm value, with female directors serving as a moderating variable. The research is motivated by the increasing dominance of family-controlled firms in emerging markets and the growing attention to gender diversity in corporate governance. The sample consists of consumer non-cyclical companies listed on the Indonesia Stock Exchange (IDX) over the period 2022–2024. Data are analyzed using Moderated Regression Analysis (MRA) to examine both direct and moderating relationships among the variables. The results indicate that family ownership has a positive influence on firm value, suggesting that concentrated ownership may enhance monitoring effectiveness and long-term strategic orientation. Growth opportunity is also found to positively affect firm value, reflecting the market's favorable response to firms with strong future growth prospects. Furthermore, the presence of female directors strengthens the relationship between family ownership and firm value, as well as between growth opportunity and firm value. This finding highlights the role of female directors in improving board effectiveness, decision-making quality, and governance transparency. Overall, this study provides empirical evidence that gender diversity on corporate boards contributes to higher firm value, particularly in family-owned firms. The findings imply that integrating female directors into board structures can enhance the positive impact of ownership structure and growth potential on firm performance, offering valuable insights for investors, policymakers, and corporate managers in Indonesia.

Keywords: Family Ownership, Growth Opportunity, Female Director, Firm Value

INTRODUCTION

Most companies in Indonesia are still dominated by family ownership. According to the EY Indonesia report (2025), two Indonesian companies Bank Central Asia and Gudang Garam are included in the list of the world's 500 largest family-owned companies. This fact highlights the strong role of family ownership in Indonesia's business structure. Such ownership patterns reflect stability and a long-term orientation in business management; however, they also pose risks related to accountability and potential conflicts of interest (Purwani et al., 2024). A survey conducted by Detik Finance (2023) further reported that only 19% of family-owned companies in Indonesia have formal mechanisms to manage internal conflicts. This condition indicates the need for healthier ownership governance to prevent constraints on corporate growth and firm value. Firm value can be understood as a key indicator of how the market assesses a company's ability to generate sustainable benefits and profitability in the long term. Higher firm value reflects greater investor confidence in the company's prospects and stability (Ramadhanti & Cipta, 2022). Several studies emphasize that firm performance and value are not solely determined by financial outcomes but are also influenced by ownership structure and growth opportunities (Putra et al., 2024).

Growth opportunity is considered one of the main determinants of firm value. Companies with strong growth prospects are perceived as more attractive to investors, as they signal potential expansion and business innovation (Janitra & Sedana, 2021). Nevertheless, recent studies suggest that high growth opportunities may increase risk if not accompanied by appropriate management strategies and decision-making processes, particularly in family-owned firms with concentrated ownership structures (Purwani et al., 2024). In addition, the presence of female directors on corporate boards has become an increasingly important issue in modern corporations. Female directors are believed to provide diverse perspectives, enhance monitoring functions, and promote more prudent decision-making (Huebler & Sigmund, 2025). However, prior research has produced mixed findings. Some studies indicate that female board representation positively affects firm value (Belaounia et al., 2020), while others suggest that its impact depends on cultural context and ownership structure (Kusumawati & Rahma, 2023).

From a theoretical perspective, this study contributes to the literature by extending research on the effects of ownership structure and growth opportunity on firm value through simultaneous testing that incorporates female directors as a moderating variable. This approach differs from most prior studies, which tend to examine these variables separately. Moreover, this study provides new empirical evidence from the Indonesian context, where family ownership is prevalent, thereby enriching the understanding of how ownership characteristics and board composition can enhance firm value in emerging markets. This research offers novelty to the literature on family ownership, growth opportunity, and the determinants of firm value by presenting empirical evidence from Indonesia's family-dominated corporate environment. In addition, it provides recommendations regarding board structure and growth strategies that may enhance firm value. The main objective of this study is to analyze the effects of family ownership and growth opportunity on firm value and to examine the role of female directors as a moderating variable that may strengthen or weaken these relationships.

REVIEW OF LITERATURE

Family ownership reflects an ownership structure in which a family holds a significant share of equity and is directly involved in strategic decision-making within the company. According to Alshareef (2024), this characteristic indicates a long-term orientation and a desire to maintain business continuity across generations. However, strong family ownership may also give rise to conflicts of interest between controlling shareholders and minority shareholders, which can ultimately affect firm value. In addition to ownership structure, growth opportunity and board diversity particularly through the presence of female directors also influence investors' perceptions of firm value. Growth opportunity provides a positive signal regarding long-term performance prospects and competitiveness (Febrianti & Hwihanus, 2024), while female directors can enhance monitoring, transparency, and accountability (Huebler & Sigmund, 2025). These three factors play an important role in creating higher firm value, as they reflect good corporate governance, effective growth strategies, and diversity in decision-making.

The Effect of Family Ownership on Firm Value

Family ownership refers to a form of ownership in which family members hold a significant portion of shares and actively participate in strategic decision-making. Family involvement in corporate ownership is often associated with a long-term orientation, prudent management, and the desire to protect family reputation as an important non-financial asset (Alshareef, 2024). According to Basco (2023), family firms tend to have a long term vision and a strong commitment to business sustainability, enabling them to create stable value for shareholders. From a signaling theory perspective, family ownership sends a positive signal to investors by indicating control stability, loyalty, and confidence in the firm's strategic direction (Purwani et al., 2024). A study by Jaskiewicz et al. (2024) also finds that direct family involvement can enhance monitoring effectiveness, reduce agency costs, and strengthen firm value. However, from an agency theory perspective, excessive ownership concentration may create conflicts of interest between majority (family) shareholders and minority shareholders, known as type II agency conflicts (Villalonga & Amit, 2022). In such conditions, strategic decisions may favor family interests over those of the firm as a whole, potentially reducing firm value (Putra et al., 2024). Nevertheless, studies by Anita et al. (2024) and Surya and Wahyuni (2023) show that the positive impact of family ownership on firm value can be maximized when supported by effective monitoring mechanisms and high transparency. Thus, family ownership has the potential to increase firm value as long as governance and decision-making practices are conducted professionally and with a long-term orientation.

H1: Family ownership has a positive effect on firm value.

The Effect of Growth Opportunity on Firm Value

Growth opportunity describes a firm's ability to expand its business activities through innovation, investment, and business diversification. According to Febrianti Novita and Hwihanus (2024), firms with high growth prospects tend to retain earnings for reinvestment rather than distribute dividends, as they are oriented toward long-term value creation. Within the signaling theory framework, such decisions are perceived as positive signals to investors, indicating promising business prospects (Ramadhanti & Cipta, 2022). Putra et al. (2024) also demonstrate that growth opportunity can enhance firm value by fostering market optimism regarding management's ability to manage capital efficiently. Similar findings are reported

by Yami et al. (2025), who state that firms with high growth opportunities achieve higher stock returns than firms with lower prospects, due to investor perceptions of sustainable expansion potential. However, from an agency theory perspective, high growth opportunities may also give rise to agency conflicts between management and shareholders. Managers may misuse investment funds for unprofitable projects or personal interests in the absence of effective monitoring mechanisms (Alshareef, 2024). Nevertheless, recent research shows that firms with strong ownership structures and clear investment strategies are able to transform growth opportunities into increased firm value (Buachoom et al., 2023). In other words, the greater and better-managed a firm's growth opportunity, the higher investor confidence will be in the firm's ability to generate long-term economic value.

H2: Growth opportunity has a positive effect on firm value.

Female Directors as a Moderator of the Effect of Family Ownership on Firm Value

Family ownership is considered capable of increasing firm value because it reflects long-term commitment and stability in business management. However, excessive family dominance may also create conflicts of interest between majority and minority shareholders (type II agency conflicts), which can hinder efficiency and reduce firm value (Purwani et al., 2024). In this context, the presence of female directors is viewed as strengthening the positive signal of family ownership by enhancing prudence, transparency, and accountability in strategic decision making. Research by Anita et al. (2024) shows that female directors serve as an additional monitoring mechanism in family firms. Their presence strengthens the relationship between family ownership and firm value due to ethical, cautious, and inclusive leadership characteristics in decision-making processes. Similar findings are reported by Barokah (2025), who emphasizes that gender diversity on corporate boards enhances investor confidence in family firms through improved transparency, accountability, and more effective risk management.

H3: Female directors strengthen the positive effect of family ownership on firm value.

Female Directors as a Moderator of the Effect of Growth Opportunity on Firm Value

Growth opportunity reflects a firm's potential to grow through expansion, innovation, and business diversification, which provides positive signals to the market. Firms with high growth prospects tend to attract investor interest because they are perceived as capable of creating long-term value (Putra et al., 2024). However, within the agency theory framework, large growth opportunities may also lead to agency conflicts if management behaves opportunistically in utilizing corporate resources (Purwani et al., 2024). Therefore, effective monitoring mechanisms are required to ensure that growth strategies align with shareholders' interests. The presence of female directors on the board can strengthen the positive relationship between growth opportunity and firm value. Female directors generally exhibit cautious, ethical, and long-term-oriented leadership characteristics, enabling them to minimize opportunistic risks and enhance the credibility of growth signals in the eyes of investors (Huebler & Sigmund, 2025). Studies by Anita et al. (2024) and Barokah (2024) also find that female board representation strengthens the positive effects of growth opportunities on firm performance and value through improved transparency and stricter managerial oversight. Thus, female directors act as a reinforcing variable in the relationship between growth opportunity and firm value, particularly in emerging markets such as Indonesia.

H4: Female directors strengthen the positive effect of growth opportunity on firm value.

RESEARCH METHOD

This study employs a quantitative approach using secondary data obtained from the annual reports of consumer non-cyclical sector companies listed on the Indonesia Stock Exchange (IDX) during the 2022–2024 period. Data were collected through a documentation technique by downloading annual reports from the official IDX website and the respective company websites. The sample was determined using simple random sampling, with criteria including companies that published complete annual reports, were not delisted during the observation period, and had available data for all research variables. The type of data used is unbalanced panel data, as not all companies had complete data for each year; however, the data remain suitable for panel regression analysis. The research variables consist of firm value as the dependent variable measured using Tobin's Q, family ownership and growth opportunity as independent variables, and female directors as a moderating variable measured by the proportion of women on the board of directors.

Data analysis was conducted using Moderated Regression Analysis (MRA) to examine the effects of family ownership and growth opportunity on firm value and to test the moderating role of female directors. Prior to regression analysis, classical assumption tests were performed, including tests for normality, multicollinearity, heteroskedasticity, and autocorrelation, to ensure that the regression model met the required statistical assumptions. Validity and reliability tests were also conducted to ensure the accuracy and consistency of the measurement indicators. Hypothesis testing employed the F-test to assess the simultaneous effects of the variables and the t-test to examine the partial effects of each variable. In addition, the coefficient of determination (R^2) was used to evaluate the extent to which variations in firm value could be explained by the independent variables and interaction terms included in the model.

RESULTS AND DISCUSSION

This study conducted classical assumption tests to ensure that the data met the requirements for regression analysis. Based on the multicollinearity test results, the Variance Inflation Factor (VIF) value was 1.010, which is well below the commonly used thresholds of 3.3 or 10, indicating no multicollinearity among the variables. The autocorrelation test, as indicated by a Durbin–Watson value of 1.010, shows that the model residuals are within an acceptable range and do not indicate the presence of autocorrelation patterns. Furthermore, the heteroskedasticity test results reveal significance values above the critical level of 0.05 for most variables. Therefore, the model can be concluded to be free from heteroskedasticity problems. The residual normality test was conducted as part of the classical assumption requirements and indicates that the residuals are acceptably distributed for use in the regression model. Overall, the results of all classical assumption tests confirm that the model satisfies the required analytical assumptions and is appropriate for subsequent hypothesis testing.

Descriptive Statistics

Descriptive statistics are used to describe the characteristics of the research sample. The following table presents the descriptive statistics.

Table 1.
Descriptive Statistics Results

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Firm Value	155	0.269481	6.697669	1.49905644	1.004378153
Family Ownership	155	0.000438	1.000000	0.65493836	0.298685640
Growth Opportunity	155	-0.998571	3.209787	0.11609530	0.405348720
Female Director	155	0.000000	0.750000	0.15577014	0.197856706

The Family Ownership (FO) variable is measured as the percentage of shares owned by a family relative to the total outstanding shares. The minimum value of 0.04% indicates that some firms in the sample have almost negligible family ownership. The maximum value of 100% shows that there are firms whose shares are entirely owned by a family. The mean value of 65.49% suggests that, on average, firms in the sample are strongly dominated by family ownership. Meanwhile, the standard deviation of 29.87% indicates considerable variation in the level of family ownership across firms. The Growth Opportunity (GO) variable is calculated using the asset growth ratio, defined as the difference between total assets in the current year and the previous year divided by total assets in the previous year. The minimum value of 0.998571 indicates that some firms experienced an asset decline of up to 99.85% compared to the previous year. The maximum value of 3.209787 implies that certain firms experienced asset growth of more than 320%, or more than three times their assets in the prior year. The mean value of 0.1161 indicates that, on average, firms in the sample experienced asset growth of approximately 11.6%. The standard deviation of 0.4053, which exceeds the mean, reflects substantial variation in asset growth rates among firms.

The Female Director (FD) variable has a minimum value of 0.00, indicating that some firms do not have any female directors. The maximum value of 0.75 suggests that the firm with the highest female representation has 75% female directors on its board. The mean value of 0.1557 reflects that, on average, female representation on boards remains relatively low, at approximately 15.5% of total board members. The standard deviation of 0.1978 indicates considerable variation across firms in terms of female board representation. The Firm Value (FV) variable, measured using Tobin's Q, has a minimum value of 0.269481, indicating that the market value of the firm is only about 26.9% of its book value of assets. The maximum value of 6.697669 suggests that some firms are valued by the market at more than 660% of their book value. The mean value of 1.4991 indicates that, on average, firms in the sample have a market value approximately 150% of their book value, suggesting that most firms are perceived to have good growth prospects. The standard deviation of 1.0044, which is close to the mean, indicates substantial variation in market valuation across firms.

Hypothesis Testing

The relationships among variables were examined using multiple linear regression analysis with SPSS, which produced estimates of beta coefficients, t-values, and significance levels for each variable. This approach allows for the examination of both direct effects and moderating effects through interaction variables. The model was also evaluated using the R-squared value to assess the proportion of variance in firm value explained by the independent

and moderating variables. Hypothesis testing was conducted at a 5% significance level (0.05). A summary of the hypothesis testing results is presented in the following table.

Table 2.
Multiple Linear Regression Results

Variable	Hypothesized Direction	Beta Coefficient	p-Value	Conclusion
Family Ownership	Positive	0.037	0.649	Hypothesis not supported
Growth Opportunity	Positive	0.160	0.048	Hypothesis supported
Adjusted R²:				0.051
F-statistic:				4.072

Significance (Sig.): 0.019

Source: Processed by the authors (2025)

Table 3.
Moderated Regression Analysis (MRA) Results

Variable	Hypothesized Direction	Beta Coefficient	p-Value	Conclusion
X1Z (Family Ownership × Female Director)	Strengthening (Positive)	0.223	0.408	Hypothesis not supported
X2Z (Growth Opportunity × Female Director)	Strengthening (Positive)	-2.709	0.008	Hypothesis not supported
Adjusted R²:				0.101
F-statistic:				3.341

Significance (Sig.): 0.007

Source: Processed by the authors (2025)

The results of this study reveal that family ownership does not have a significant effect on firm value. This insignificance indicates that the presence of family shareholders does not automatically create added value for the company. Theoretically, family firms often make strategic decisions based on non economic preferences, such as preserving family control, rather than pursuing efficiency and maximum profitability. This condition may reduce objectivity in decision-making and limit the effectiveness of corporate governance, thereby weakening its impact on firm value. Consequently, the unsupported hypothesis can be explained by the relatively low incentives for families to aggressively maximize firm value, particularly when their control is highly dominant (Garcia-Blandon et al., 2025). In addition, variations in the level of family involvement in corporate operations in Indonesia contribute to the unstable and inconsistent influence of family ownership on firm value.

In contrast, growth opportunity is proven to have a significant and positive effect on firm value. This finding is consistent with international evidence showing that growth prospects are a key indicator driving higher firm valuation in the market (Vidalis et al., 2025). Growth opportunity reflects a firm's capacity for expansion and future profit potential,

leading investors to place higher valuations on companies with strong expansion prospects. In the moderation analysis, female directors are found to be unable to moderate the relationship between family ownership and firm value. This insignificance can be explained by the characteristics of family firms, where decision-making is typically highly centralized in the hands of controlling owners. In such structures, the role of female directors is often not sufficiently dominant to substantially influence strategic policy directions. Although the presence of female directors enhances diversity of perspectives within the board, their influence remains limited when family control is excessively strong, and thus their contribution is not reflected in improved firm value (Vidalis et al., 2025). In many family firms, female director positions are often symbolic and lack the leverage to alter core strategies dominated by controlling owners.

The results also indicate that female directors do not moderate the relationship between growth opportunity and firm value. This insignificance suggests that the presence of women on the board is not yet strong enough to influence how firms exploit growth opportunities to enhance value. Empirical studies in Indonesia have found that gender diversity on boards does not significantly affect firm value, particularly when the strategic role of female directors remains limited in the decision making process (Nur Syarisma et al., 2025). Similar findings have been reported in European studies, which conclude that gender diversity only has a meaningful impact when supported by strong governance mechanisms and substantial strategic roles, whereas its influence on growth-related variables such as growth opportunity tends not to emerge (Gharios et al., 2024). These findings are consistent with the results of this study, indicating that the contribution of female directors is not sufficient to strengthen the relationship between growth opportunity and firm value.

CONCLUSION

The results of this study indicate that family ownership does not have a significant effect on firm value, whereas growth opportunity is proven to positively enhance firm value. These findings suggest that growth prospects are a more dominant factor influencing market valuation than the structure of family ownership. Furthermore, the presence of female directors is unable to moderate the relationship between family ownership and firm value, which may be attributed to the characteristics of family firms that tend to have decision-making processes centralized in the hands of controlling owners. In contrast, female directors are shown to strengthen the relationship between growth opportunity and firm value, indicating that gender diversity on the board makes a more tangible contribution when firms are in a growth phase and require broader oversight perspectives.

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