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Family Firms, Banks and Firm Value: Evidence from Malaysia

Chee Yoong Liew^a, S.Susela Devi^b

Abstract: *This paper examines the relationship between the number of domestic banks that the firm engages with and firm value and how this relationship is moderated by ownership concentration at low and very high level on a sample of Malaysian family and non-family firms. We find that there is a significant negative relationship between the number of domestic banks engaged by family firms, operating in industries where these firms do not have absolute monopoly, and firm value. However, there is no evidence that this significant negative firm value effect is stronger in family firms compared to non-family firms. Furthermore, the significant positive moderating effect of ownership concentration on this relationship within family firms in such industries is evident only at low level of ownership concentration. Interestingly, at very high level of ownership concentration, this significant positive moderating effect becomes negative. There is no evidence that these significant moderating effects are stronger in family firms compared to non-family firms. An implication of this research is that there is a need for the capital market regulators to introduce appropriate policies to deter family firms from having a close relationship with domestic banks as well as monitor the number of domestic banks engaged by such firms. There may be policy implications for consideration by the Central Bank of Malaysia as well.*

Keywords: corporate governance, banks, family firms, agency problems

JEL Classification: G34

1. Introduction

Generally, the extant corporate governance literature focuses upon the agency problem between shareholders and managers or Agency Problem Type I (De Cesari, 2012; Liew et.al., 2017) which commonly prevail in firms with dispersed shareholding (Jensen and Meckling, 1976). However, in firms with high concentrated ownership, controlling shareholders have the tendency to expropriate minority shareholders (De Cesari, 2012). This is generally referred to as Agency Problem Type II – principal-principal problem. This problem is particularly prevalent in emerging markets (Ahlstrom et.al., 2010; Liu et.al., 2010; Young et.al., 2018).

Minority shareholder expropriation in the context of Agency Problem Type II in emerging markets has been examined extensively in the literature (Faccio et. al., 2001b; De Cesari, 2012; Cueto, 2013; Liew et.al., 2015) where most firms are family-owned, and they tend to expropriate minority shareholders. Some researchers claim that reputational effects can mitigate this expropriation problem (Gomes, 2000; Khanna and Palepu, 2000; Khanna and Yafeh, 2007; Liew et.al., 2015). Wang (2006, p.622), observed that “a founding family firm with its unique concentrated ownership is less likely to engage in opportunistic behavior as it potentially could damage the family's reputation, wealth and long-term firm performance”. However, others opine that reputational effects are not effective in reducing minority shareholder expropriation especially during economic recessions (Peng and Jiang, 2010; Johnson et. al., 2000). Sageder et.al. (2018) provide a comprehensive discussion on extant

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research on reputation and image of family firms. They suggest (citing Chen et al. 2010; Dyer and Whetten, 2006) that family firms avoid actions that could damage their reputations. Malaysia, provides an interesting setting to examine family firms and their relationship with their stakeholders, particularly, their banks. World Bank (2012) reported that traditional family groups are still an important part of the corporate landscape, wherein about 10-12 family groups control a range of companies through a mix of direct and indirect ownership and shareholder agreements. Claessens, Djankov & Lang (2000) reported that about 70% of Malaysian companies are family-controlled firms. Additionally, family firms represent an essential part of the Malaysian economy and contribute more than half of Malaysia's Gross Domestic Product (Ngui, 2002). Further, it was reported substantial transactions, including large related-party transactions, do not require qualified or super majority approval and generally, investor protection is low (World Bank, 2012, p.3).

Some prominent Malaysian family businessmen are Robert Kuok (Kuok Brothers) or more well-known as 'Sugar-King', Quek Leng Chan (Public Bank Group), Tuanku Abdullah Tuanku Abdul Rahman (Melewar Group), Tan Sri Shamsuddin Abdul Kadir (Sapura Holdings Berhad), and T. Ananda Krishnan (Tanjong Berhad) (Lode and Noh, 2018). Interestingly most of the Malaysian family firms evolved from small enterprises and became giant conglomerates (Grant Thornton, 2002). Generally, family firms, on average, experience higher firm value than non-family firms (Ibrahim, 2009). Some of these firms operate in industries with absolute monopoly as well given the political economy of Malaysia (Gomez et. al., 2018).

Unfortunately, a corporate scandal, the Transmile case³ in 2007, involving the Kuok family group which held 18% ownership in Transmile), raised the visibility of family firms. It was reported that Transmile owed money to more than 10 local and foreign financial institutions (The Star, 2010). After 3 years the Transmile board sued its former managing director and former chief financial officer, as an attempt to clear the company's name (The Edge, 2010). Given, the publicity attracted by this case and subsequent corporate governance reforms since 2007, we posit that reputational effects may play a role in reducing minority shareholder appropriation.

Extant literature on bank-firm relationship shows that a strong relationship with banks can reduce information asymmetries, improve the firm's success to credit and lead to an overall improvement in the firm's performance and thus, firm value (Castelli et.al., 2012). Conversely, increased domestic banking relationship with family firms provides opportunities for minority shareholder expropriation to extract financial resources from their firms (Anderson and Reeb, 2003). We summarise that the more banks a firm engages indicates greater opportunities for appropriate.

Amran and Ahmad (2009), who examined sample firms for the period 2000 to 2003, observed that family businesses need to be treated differently from non-family businesses due to the different nature of the firms, with a high sense of familiness. They did not elaborate on what is meant by sense of familiness. We believe it could be the concern for reputation as espoused by Sageder et.al. (2018).

However, the question arises as to whether ownership concentration effects the relationship between the number of domestic banks that the firm engages with, and firm value. Since, ownership in Malaysia is considerably concentrated with poor investor protection, controlling shareholders in family firms may have significant influence on the firms' activities or engagement with external parties by expropriating resources from it. Hence, there is a need to examine this moderating effect. Additionally, the extant literature does not evidence whether

³ In the Transmile case which occurred in early 2007, the firm's revenue was inflated in the financial statement (Securities Commission, 2011b). This is a dent to the corporate reputation of family firms in this country as Transmile at that time is owned by the Kuok family which is one of the large family business groups in Malaysia.

the firm value effect of the number of domestic banks engaged by the firm and the moderating effect of controlling shareholders' ownership on this firm value effect, is stronger in Malaysian family firms than non-family firms.

This provides a setting to examine whether corporate reputational effects may influence the moderating effect of controlling shareholders' ownership in family firms as family controlling shareholders have the incentives to improve their corporate reputation as poor reputation can affect them, their family members and close associates within the firm. Hence, it would be timely to investigate this relationship.

Additionally, the Malaysian corporate landscape includes another important corporate ownership type- Government Linked Investment Companies (GLICs): Seven investment funds are considered "government linked", with government oversight and participation on their board, usually through the Ministry of Finance and directly hold about 30 percent of total market capitalization. They control a number of companies—known as Government Linked Companies (GLCs)—and have minority stakes in dozens more. They also invest in several dozen non-listed companies, and are major investors in government and corporate bonds, and property (World Bank, 2012). World Bank (2012) further raises concern whether GLCs and private companies face a truly level playing field (p.24) and is doubtful if related party transactions are adequately disclosed (p.32). Hence, in this study GLCs are excluded as they have significant engagements with many domestic commercial banks which ultimately have impacts firm values. As such, our findings contribute to the corporate governance literature by providing evidence on the relationship of domestic banks engaged with by family and non-family firms (excluding GLCs) within the Malaysian institutional context. Interestingly we find that, after excluding firms operating in industries where they have absolute monopoly because of their favoured positions (Gomez et al, 2018), there is a significant negative relationship between the number of domestic banks that the firm engages with and firm value among family firms and non-family firms with concentrated ownership.

This study has two theoretical contributions. First, it deepens our understanding of ownership structure and firm value. Evidence on the moderating role of controlling shareholders' ownership extends the existing theorisation of ownership. It demonstrates how controlling shareholders influence expropriation through the domestic banking channel. Second, a new perspective to agency theory is added as the extant literature does not articulate the interplay between agency theory, corporate reputational effects and financial crisis within a single analysis. Our findings reinforce the relevance of good corporate governance as a reference for other emerging markets which share similar characteristics of highly concentrated ownership and predominantly family-owned firms with similar potential Agency Type II problems.

The remainder of this paper is organised as follows. Section 2 discusses the Malaysian institutional setting, evaluates the extant corporate governance literature and develops the relevant hypotheses; Section 3 explains how the research is conducted; Section 4 discusses the descriptive statistics, endogeneity problems and research results; Section 5 summarises the research findings and discusses its implications and Section 6 concludes.

2. Institutional setting, literature review and hypotheses development

2.1. Malaysian institutional setting: Corporate governance landscape and regulatory framework

The Malaysian corporate governance landscape changed significantly with the introduction of the Malaysian Code of Corporate Governance (MCCG) in 2000. This code was altered in 2007 (Liew et.al., 2017; Securities Commission, 2007). The MCCG 2007 emphasised that the board

of directors and audit committees should be strong and ensure that the board of directors and audit committees carry out their duties effectively (Liew et.al., 2017; Securities Commission, 2007). To further enhance reforms, the Securities Commission (SC) created the Corporate Governance Blueprint 2011 in 2011 (Liew et.al., 2017; Securities Commission, 2011a). This blueprint focused on the rights of equity holders, responsibility of institutional shareholders, responsibility of the board in corporate governance, enhancing proper disclosure and transparency, responsibility of important stakeholders and quality of implementation (Liew et.al., 2017; Asian Corporate Governance Association, 2012). For the execution of the Corporate Governance Blueprint 2011, the SC made additional amendments to the MCCG 2007 in 2012 (Liew et.al., 2017; Securities Commission, 2012). The MCCG 2012, replacing the 2007 code, spelt out the procedures for the board of directors to practice good corporate governance in their firms' business activities and related activities inside their firms (Liew et.al., 2017; Securities Commission, 2012).

In 2016, the SC further revised the MCCG 2012 (Liew et.al., 2017; Securities Commission, 2016). The MCCG 2016 introduced additional procedures for good board practice (Liew et.al., 2017), namely, additional approval process for independent directors with tenure more than 9 years and the requirement for large companies to appoint 30% women directors on their boards (Foo, 2017).

Despite all these efforts, these codes failed to enhance good corporate governance because the adoption and implementation of these codes are only voluntary. The SC only required public-listed firms either to comply or to explain any deviation from the codes with regards to their firms' activities in their annual reports (Securities Commission, 2007, 2012; Wahab et.al., 2007). Given the codes are not mandatory, an opportunity arises for Malaysian controlling shareholders to expropriate minority shareholders.

Another significant development in the Malaysian corporate governance scene is the formation of external mechanisms to protect minority shareholders (Wahab et.al., 2011). The Minority Shareholder Watchdog Group (MSWG) was formed in February 1999 by the High-Level Finance Committee to protect the rights of minority shareholders and enhance shareholder activism (Wahab et.al., 2011). The MSWG aimed at promoting shareholder activism regarding poor business ethics; monitoring corporate governance malpractices by public-listed firms as well as to providing training on shareholder activism and the advantages of good business ethics to society (Wahab et.al., 2011). The creation of MSWG was expected to reduce minority shareholder expropriation and enhance corporate governance among public-listed firms (MSWG, 2012). The shortcoming, however, was that MSWG did not possess the legal power to litigate cases of minority shareholder expropriation. It can only promote shareholder activism among investors and provide training to them with the purpose of creating awareness and reducing minority shareholder expropriation. Therefore, MSWG's effectiveness in reducing minority shareholder expropriation remains a concern.

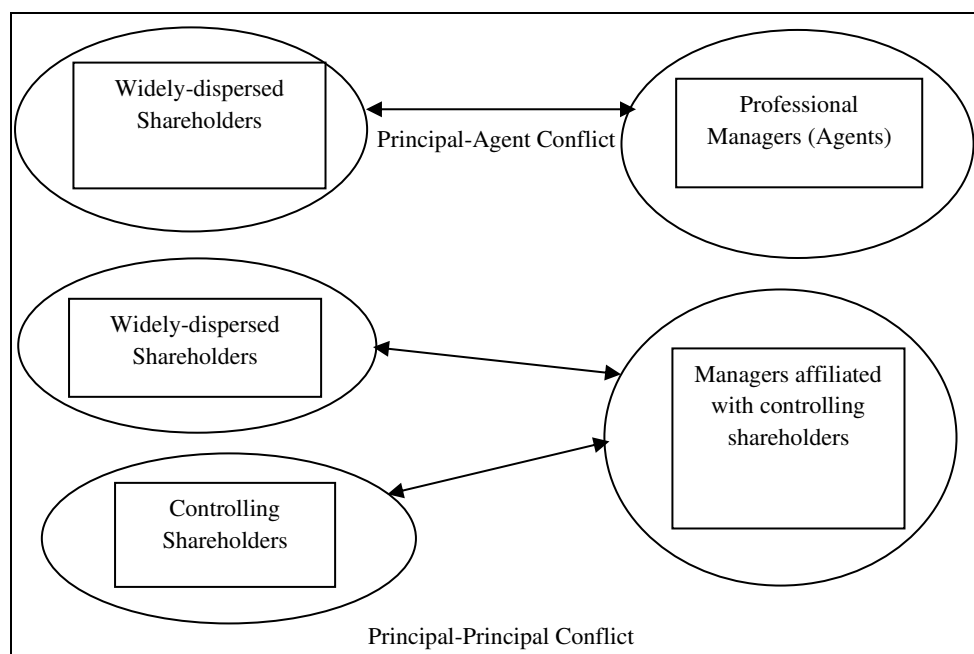
2.2 Minority shareholder expropriation

Figure 1 shows Agency Problem Type I that occurs between individual shareholders and professional managers. In the bottom panel of Figure 1, the slanting arrow shows the relationship between the controlling shareholders and their closely-related managers. These closely-related managers could be family members or close friends who report directly to the controlling shareholders (Liew et.al., 2017; Young et.al., 2008). The straight line showing the conflict is drawn between the closely-related managers – who represent the controlling shareholders - and the minority shareholders. Agency Problem Type II in developing countries is different from Agency Problem Type I in developed countries. This difference is shown by

Figure 1 where the main problem is between the controlling shareholders and minority shareholders (Liew et.al., 2017; Young et.al., 2008).

The controlling shareholders and minority shareholders' conflict of interest (Agency Problem Type II) is a significant problem in developing countries (Liew et.al., 2017; Jiang and Peng, 2011; Young et.al., 2008). Young et.al. (2008) argue that this agency problem is more severe in family firms. The presence of private objectives within family firm owners can cause them to take actions, which advance their family welfare at the expense of minority shareholders (Schulze et.al., 2001). These preferences cannot be fully quantified financially (Bergstrom, 1989). In addition, the utility that family firm owners gain from indulging in private objectives is indistinguishable from the utility that they obtained from rationally motivated actions (Becker and Murphy, 1988; Thaler and Shefrin, 1981). These private objectives can translate in many forms and one of these is the appointment of family members as agents of the firm (Faccio et.al., 2001c; Young et.al., 2008). Founding families of family firms can expropriate minority shareholders by appointing less-than-qualified family members or associates, friends or cronies to be agents of its firm (Faccio et.al., 2001c). They can decide who sits on the board, therefore, effectively neutralize a board's ability to oversee the family controlling shareholder. In addition, legal recourse for boards not overseeing minority shareholders' interests are limited. Such arrangements coupled with limited legal recourse provide family controlling shareholders the power to expropriate minority shareholders (Young et.al., 2008). Hence, it is argued that principal-principal conflict is more prevalent in family firms as compared to non-family firms. However, Lazano et. al (2016) suggest that the conflicts between majority and minority shareholders are weaker for firms in environments with higher investor protection.

Figure 1: Principal-principal conflict vs. principal-agent conflict



Source: Young et.al. (2008)

2.3. Family Firms, Reputation and Corporate Governance

As discussed above, family firms are prevalent in the Malaysian business landscape. Arguably, family firms pose challenges to corporate governance due to their unique characteristics (Filatotchev et. at., 2005). Interestingly, most of the Malaysian family firms evolved from small enterprises and became giant conglomerates (Grant Thornton, 2002). Many of these family businessmen are prominent Malaysians including Robert Kuok (Kuok Brothers) or more well-known as ‘Sugar-King’, Quek Leng Chan (Public Bank Group), Tuanku Abdullah Tuanku Abdul Rahman (Melewar Group), Tan Sri Shamsuddin Abdul Kadir (Sapura Holdings Berhad), and T. Ananda Krishnan (Tanjong Berhad) (Lode and Noh, 2018). Examining sample firms for the period 2000 to 2003, Amran and Ahmad (2009) observed that family businesses need to be treated differently from non-family businesses due to the different nature of the firms, which rely on an intenal control system and have a high sense of familiness. They did not elaborate on what is meant by sense of familiness. Németh et. al. (2017) refer to this as “the manifestations of the unique resources coming from the family involvement” (p.32). The 70% of richest Malaysians announced by the *Malaysian Business* in February 2009 are in family businesses (Samad and Ibrahim, 2011). Of these, Tan Sri Robert Kuok appears to dominate, accounting for 27.6 percent of the wealth of the 40 richest (Singh, 2009). Some of the early family business founders have absolute monopoly or dominate some industries. For example, Berjaya Sports Toto Berhad and Genting predominate the gambling industry. These family firms do have visibility and under political cost hypothesis (Watts & Zimmerman, 1990) attract greater scrutiny and therefore, will not do anything that may damage their reputation.

Generally, family firms’ long-term orientation and reputation-related concerns encourages them to value firm survival over the maximization of short-term wealth, resulting in fewer agency conflicts and increased resource accessibility (Anderson and Reeb, 2003; Yang, 2010). Consequently, family firms avoid actions that could damage their reputations (Chen et al. 2010; Dyer and Whetten 2006). In economies with less developed capital markets and limited professional managers, many family firms are established by obtaining capital and human investments from families and personal networks (McConaughy et.al., 2001). Hence, through business networks, uncertainties and complexity are reduced because information is shared and circulated among the participants in the network, resulting in better monitoring of activities both within and between firms. This is especially effective in East Asia as financing is relationship-based, and the presence of owners in family-controlled firms should be associated with better growth and higher firm value (Filatotchev et. at., 2005).

Interestingly, Mazzelli et. al. (2018) introduce a concept known as “conformity-in-distinctiveness” where family firms conform to the behaviour of other family firms rather than industry norms in order to avoid social losses. By contrast, another concept “distinctiveness-inconformity” introduced for non-family firms, which for economic reasons, are less likely to imitate the innovations of non-family firms than the innovations of family firms. Furthermore, Mazzelli et al. (2018) in a study of Spanish manufacturing firms suggest that family firms are more responsive to new product introductions of firms in the region in which they are located.

From a corporate governance perspective, Lazano et al (2016) suggest that the conflicts between majority and minority shareholders are weaker for companies with higher investor protection. It is interesting to note that family firms, compared with non-family firms, place more emphasis in business market leadership (Gudmundson et. at., 1999).

2.3 Hypotheses development

2.3.1 The number of domestic banks engaging with the firm

It is observed that banks can carry out effective monitoring of their borrowers because they possess the expertise and resources to screen out the bad borrowers from the good borrowers (Diamond, 1984; Fama, 1985). Using the theory of financial intermediation based on minimising the cost of monitoring borrowers' information, Diamond (1984) argue it is useful for resolving incentive problems between borrowers and lenders. It is believed that banks, particularly domestic banks can lower monitoring costs and hence, they are good monitors. Consequently, the bank-firm relationship can reduce information asymmetries, improve the firm's success to credit and lead to an overall improvement in the firm's performance (Castelli et.al., 2012).

However, there are disadvantages for domestic banks, namely, a close relationship with customers (borrowers) may ultimately lead to higher lending to borrowers (Focarelli and Pozzolo, 2000) which could lead to extraction of financial resources in an environment with poor institutional governance (Faccio et.al., 2001b). Furthermore, expropriation through domestic banks is more serious in family firms compared to non-family firms because family controlling shareholders can use their relationship with domestic banks to extract financial resources from their firms (Anderson and Reeb, 2003). Hence, in an emerging market setting where investor protection is relatively poorer; it is argued that the disadvantages of the domestic banking system outweigh its benefits as it could be used as a tool for expropriation particularly by family controlling shareholders. The more domestic banks that are engaged by highly concentrated firms such as family firms; the more opportunities are available for expropriation by the family controlling shareholders.

These opportunities to expropriate can come in the form of loan expropriation. The issue of loan expropriation can be argued to be potentially more severe in family firms compared to non-family firms because family owners can use the loans to enhance their private objectives such as firm survival at the expense of minority shareholders (Anderson and Reeb, 2003). This difference is attributed to the failure of the disciplinary effects of debt to impose higher costs on family controlling shareholders compared to their expropriation benefits (Ellul et.al., 2007; Faccio et.al., 2001a). Firstly, in family firms, controlling shareholders usually take up managerial positions and their performance is not necessarily tied to the debt liabilities of the firm. This is different from professional managers who generally care about the associated loss of job tenure or reputation as a result of debt default and insolvency (Sarkar and Sarkar, 2008). Secondly, reputational considerations in family firms with pyramidal ownership and cross-shareholdings can be intrinsically weak because if an affiliated firm goes bankrupt because of excessive leverage, it may be difficult to pin accountability on the controlling shareholder immersed in the complex corporate structure of its firm. Both these factors contribute to the failure of the disciplinary effects of debt on family firms and due to this failure; family controlling shareholders may expropriate the loans obtained from banks (Sarkar and Sarkar, 2008). Hence, loan expropriation is argued to be potentially more severe in family firms compared to non-family firms. The higher the number of domestic banks engaged by family firms, the higher the amount of loans that they can obtain from these banks which results in higher amount of loans that are available for family owners to expropriate. As a result, it is expected that an increase in the number of domestic banks engaged by family firms will increase the agency costs of the firm, thus, reducing firm value.

Moreover, Bliss and Gul (2012a) and Bliss and Gul (2012b) have found that politically-connected firms in Malaysia possess higher cost of debt due to their higher financial risks as well as having higher leverage. These studies support the notion that Malaysian firms establish

close relationships with the banking sector to derive benefits. In this paper, we argue that family firms also have such close relationships particularly with domestic banks and these relationships are not beneficial to family firm's minority shareholders based upon the Malaysian political economy as well as the explanations provided in this section.

Therefore, it is argued that the higher the number of domestic banks engaged by the firm, the more likely that minority shareholder expropriation occurs, especially, in family firms. We posit that the number of banks may be a proxy for expropriation of minority shareholders.

Thus, the following hypotheses are developed:

H_{1a}: There is a negative relationship between the number of domestic banks that the firm engages with and firm value in Malaysian firms.

H_{1b}: If there is a negative relationship between the number of domestic banks that the firm engages with and firm value in Malaysian firms, this negative relationship is likely to be stronger in family firms compared to non-family firms.

2.3.2 Moderating effects of the controlling shareholder's ownership concentration, expropriation and firm value

Given the prominence of ownership concentration in the emerging markets context (Claessens et al., 2000; Morck and Yeung, 2003), it will be interesting to whether ownership concentration moderates the relationship between the number of domestic banks and firm value. Further, in these markets, particularly in Asia, it is observed that ownership concentration is positively related to firm value (Heugens et al., 2009) (hence, a positive moderating effect of ownership concentration is expected).

Given the institutional context of emerging markets, investors need to act as good firm monitors. However, they can only do so by increasing their shareholding. Large shareholding makes them more involved in their firms' corporate governance and enable them to leverage over their subordinates (David et al., 2007). Consequently, controlling shareholders can influence the management to align their interests with theirs (Heugens et al., 2009). Hence, increased ownership concentration may permit controlling shareholders to tighten their firm control, therefore, reducing Agency Problem Type I. This creates a positive relationship between ownership concentration and firm value (hence, a positive moderating effect of ownership concentration on the relationship between the number of domestic banks that the firm engages with and firm value).

Additionally, in the Malaysian institutional context, arguably, after the Transmile scandal, corporate reputational effects can positively moderate family controlling shareholders' ownership on expropriation. This is applicable to family firms where the family owns a large shareholding. Family owners with large shareholding would like to improve their reputation as they and their family members can be affected by negative reputation (Gomez, 1999; Loy, 2010).

The effects of reputation work as follows: When the shareholding of family owners increase, they tend to maintain their reputation by reducing minority shareholder expropriation. Thus, increased shareholding aligns the interests of family owners with the interests of minority shareholders (Loy, 2010) which reduces the principal-principal conflict. Therefore, this creates a positive moderating effect of controlling shareholders' ownership on the firm value effects of controlling shareholders' expropriation.

As family owners' shareholding increase, tunneling also becomes less viable for controlling shareholders to extract resources from their firms, as there will be less minority shareholders to expropriate (Heugens et al., 2009). Thus, tunneling will just result in a direct

shift of private wealth from one avenue to the other, which is not beneficial to the family owners, except maybe for spending reasons (Heugens et al., 2009). A better strategy for controlling shareholders to increase their private wealth is to manage the firm to perform better, hence, very high shareholding is likely to positively influence firm performance (Heugens et al., 2009).

Based on the above, it is hypothesised that controlling shareholders' ownership is likely to positively moderate the relationship between the number of domestic banks that the firm engages with and firm value.

Based upon these explanations, the following hypotheses are developed:

H_{2a}: There is a positive moderating effect of the controlling shareholder's ownership on the relationship between the number of domestic banks that the firm engages with and firm value in Malaysian firms.

H_{2b}: If there is a positive moderating effect of the controlling shareholder's ownership on the relationship between the number of domestic banks that the firm engages with and firm value in Malaysian family firms, this positive moderating effect is likely to be stronger in family firms compared to non-family firms.

H_{2c}: There is a positive moderating effect of the controlling shareholder's ownership at very high ownership concentration on the relationship between the number of domestic banks that the firm engages with and firm value in Malaysian firms.

H_{2d}: If there is a positive moderating effect of the controlling shareholder's ownership at very high ownership concentration on the relationship between the number of domestic banks that the firm engages with and firm value in Malaysian family firms, this positive moderating effect is likely to be stronger in family firms compared to non-family firms.

3. Research Methodology

3.1. Sample

We use secondary data related to the types of controlling shareholder, financial data and board of directors' information for the period 2007-2009. This is a period of economic recession (2007-2009) (Mishkin, 2016). This period is chosen because corporate governance matters more during periods of economic recessions (Johnson et al., 2000). Further, this period follows the Transmile scandal in 2007 that may evidence concerns regarding family firm reputational effects. The chosen period of study enables analyses of the interplay between agency theory, corporate reputational effects and the financial crisis in a single study. All the data are obtained from annual reports of public-listed firms as well as from Bloomberg database.

In this study, family firms are defined as firms which are controlled by individuals or families with at least 20% voting rights (Chakrabarty, 2009)⁴ as well as family inclusion in their firms' governance. For the latter, this requires at least one family member holding a position at a managerial level (i.e. directors, CEO or chairman, syndicate pact chairman) (Cascino et al., 2010).

⁴ The 20% minimum level is used as most (76%) of the family firm owners in the Main Market Bursa Malaysia own a minimum of 20% shareholding.

Table 1 shows how the final sample of family firms from 2007 to 2009 is derived.

Table 1: Description of data set selected for family firms

Data Description	Number of Companies
Total Main Market family firms listed on Bursa Malaysia and could be utilized in the research, as at 31 st December 2007	498
Minus : Financial related family firms	48
Minus : Family firms with missing data	3
Minus : Family firms with at least 20% family ownership but no family members involved in management	30
Minus : Family firms with less than 20% family ownership	38
Number of Family Firms available for observation	379

Table 2 shows how the final sample of non-family firms from 2007 to 2009 is derived.

Table 2: Description of data set selected for non-family firms

Data Description	Number of Companies
Total Main Market non-family firms listed on Bursa Malaysia and could be utilized in the research, as at 31 st December 2007	223
Minus : Government-linked companies (GLCs)	59
Minus : Financial related non-family firms	24
Minus : Non-family firms with missing data	6
Minus : Non-family firms with less than 20% ownership by controlling shareholders	42
Number of Non-family Firms available for observation	92

3.2. Variables Definition And Measurement

Table 3 explains the proxies used to measure the dependent variables in this study :

Table 3: Dependent variables and measurement

No.	Dependent Variable	Measurement
1	Firm value Proxy 1	Proxy is Tobin's Q (Bai, Liu, Lu, Song and Zhang, 2004). Tobin's Q is calculated by the ratio of (Total Market Value of Equity + Total Book Value of Liabilities)/ (Total Book Value of Equity + Total Book Value of Liabilities) (Anderson and Reeb, 2003; Faccio et.al., 2001a; Yermack, 1996).

2	Firm value Proxy 2	As an alternative measure to firm value, the market to book value (MBV) is also used. MBV is calculated as the ratio of the multiplication of the number of equity shares and the closing price of the stock on the last day of the financial year to total equity (Reddy, Locke and Scrimgeour, 2010; Sarkar and Sarkar, 2000). MBV is a better measure than Tobin's Q and has been used in emerging market research (e.g. by Xu and Wang (1997) on China), as well in other studies (Capon et.al., 1996). This measure is also more directed to shareholders' objectives (Sarkar and Sarkar, 2000). However, it does not consider debt. Hence, both Tobin's Q and MBV are utilised in this research to ensure robustness of different measures of market-based performance.
3	Return On Equity (ROE) Proxy 3	Return on Equity (ROE) is used as part of the accounting-based performance measures for this kind of study (Ibrahim, 2009). ROE is calculated by Net Income / Total Common Equity (Holderness and Sheehan 1988; Rechner and Dalton, 1991).
4	Return On Asset (ROA) Proxy 4	Return on Asset (ROA) is used as part of the accounting-based performance measures for this kind of study (Ibrahim, 2009). ROA is calculated by Net Income / Total Assets (Anderson and Reeb, 2003; Holderness and Sheehan 1988).

Table 4 explains the independent variables used in this study:

Table 4: Independent and control variables and measurement

Main Independent Variable	Description
The Number of Domestic Banks That The Firm Engages With (Banks)	This value is measured based upon the annual report's disclosure.
Control Variables	In line with prior corporate governance literature, we control for fifteen variables, namely, (1) Ownership concentration (OC) (2) Squared Ownership Concentration (3) Average tenure of independent directors (Tenure); (4) Related party transactions which are likely to result in expropriation; (5) Firm size (SIZE); (6) Firm risk (RISK); (7) Leverage (LEV); and (8) Proportion of independent directors (IDR); (9) Firm age (AGE); (10) Non-affiliated block holders (NAB); (11) Sales growth (SG); (12) R & D expenditure-to-sales (RDS); (13) Capital expenditure-to-sales

	(CS); (14) Marketing and advertising expenditure-to-sales (MS) and (15) Firm Type.
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3.3 Research model

For hypotheses testing, panel data analysis using the Fixed Effects Model (FEM) is used because the FEM can address any endogeneity problems effectively (Chi, 2005). The panel data regression is conducted on both family firms and non-family firms. The model for this research is as follows:

Family Firm Model

$$Y_{it} = \beta_0 + \beta_1(\text{Banks})_{it} + \beta_2(\text{OC})_{it}(\text{Banks})_{it} + \beta_3(\text{OCSQUARED})_{it}(\text{Banks})_{it} + \beta_4(\text{OC})_{it} + \beta_5(\text{OCSQUARED})_{it} + \sum_{i=2007}^{2009} \beta_i(\text{Control Variables})_t + \mu_{it}$$

Non-Family Firm Model

$$Y_{it} = \beta_0 + \beta_1(\text{Banks})_{it} + \beta_2(\text{OC})_{it}(\text{Banks})_{it} + \beta_3(\text{OCSQUARED})_{it}(\text{Banks})_{it} + \beta_4(\text{OC})_{it} + \beta_5(\text{OCSQUARED})_{it} + \sum_{i=2007}^{2009} \beta_i(\text{Control Variables})_t + \mu_{it}$$

Combined Model (Family And Non-Family Firms)

$$Y_{it} = \beta_0 + \beta_1(\text{Banks})_{it} + \beta_2(\text{FT})_{it} + \beta_3(\text{FT})_{it}(\text{Banks})_{it} + \beta_4(\text{FT})_{it}(\text{OC})_{it}(\text{Banks})_{it} + \beta_5(\text{FT})_{it}(\text{OCSQUARED})_{it}(\text{Banks})_{it} + \beta_6(\text{OC})_{it} + \beta_7(\text{OCSQUARED})_{it} + \sum_{i=2007}^{2009} \beta_i(\text{Control Variables})_t + \mu_{it}$$

Y_{it} : Tobin's Q at year t, Market-to-Book Value Ratio at year t, Return On Equity at year t, Return On Asset at year t.

Banks_{it} : The number of domestic banks engaged by the firm at year t.

FT_{it} : Firm type dummy variable at year t, 1 for family firms, 0 for non-family firms.

$(\text{FT})_{it}(\text{Banks})_{it}$: Firm type dummy variable at year t, 1 for family firms, 0 for non-family firms multiplied by the number of domestic banks engaged by the firm at year t.

$(\text{OC})_{it}(\text{Banks})_{it}$: Controlling shareholders' ownership concentration in the firm at year t multiplied by the number of domestic banks engaged by the firm at year t.

$(\text{OCSQUARED})_{it}(\text{Banks})_{it}$: Squared of controlling shareholders' ownership concentration in the firm at year t multiplied by the number of domestic banks engaged by the firm at year t.

$(\text{FT})_{it}(\text{OC})_{it}(\text{Banks})_{it}$: Firm type dummy variable at year t, 1 for family firms, 0 for non-family firms multiplied by the controlling shareholders' ownership concentration in the firm at year t multiplied by the number of domestic banks engaged by the firm at year t.

$(\text{FT})_{it}(\text{OCSQUARED})_{it}(\text{Banks})_{it}$: Firm type dummy variable at year t, 1 for family firms, 0 for non-family firms multiplied by the squared of controlling shareholders' ownership concentration in the firm at year t multiplied by the number of domestic banks engaged by the firm at year t.

OC_{it} : Controlling shareholders' ownership concentration in the firm at year t (%)

OCSQUARED_{it} : Squared of controlling shareholders' ownership concentration in the firm at year t (%)

Control Variables

SIZE_{it}: Firm Size (Ln (Total Assets)) at year t

RISK_{it}: Ln (Firm Risk (Standard Deviation of monthly stock returns from 2007-2009)) at year t

LEV_{it}: Ln (Leverage (Long-term Debt/Total Assets)) at year t

IDR_{it}: Independent Directors Ratio (No. of independent directors/Board Size) at year t

NAB_{it}: Non-affiliated Block Holder Shareholding at year t

AGE_{it}: Ln (Age) at year t

SG_{it}: Sales Growth at year t

RDS_{it}: Research and Development Expenditure-to-Sales at year t

CS_{it}: Capital Expenditure-to-Sales at year t

MS_{it}: Marketing and Advertising Expenditure-to-Sales at year t

RPT_{it}: Amount of Related Party Transactions That Are Likely to Result in Expropriation at year t divided by Total Related Party Transactions Value at year t.

Tenure_{it}: Average tenure of independent directors in the firm at year t.

μ_{it}: Stochastic error term at year t

4. Descriptive Statistics, Endogeneity Issues And Research Results

Table 5

Descriptive Statistics For Full Sample Family Firms					
	Mean	Median	Standard Deviation	Maximum	Minimum
Tobin's Q	0.8780	0.7801	0.5226	7.0322	0.0631
ROE	0.0396	0.0688	0.3043	3.0037	-5.3488
ROA	0.0323	0.0386	0.0810	0.4117	-0.6432
Market-to-Book Value (MBV)	0.8027	0.5849	1.0694	16.2962	-0.3955
Related Party Transactions That Are Likely To Result In Expropriation Ratio (RPT)	0.3285	0.1843	0.3528	0.9997	0.0000
Ownership Concentration	42.1420	41.1800	13.3102	99.1600	20.1800
Squared Ownership Concentration	1,952.952	1,695.792	1,224.922	9,832.706	407.2324
Average Independent Directors' Tenure	6.0354	5.3330	3.8628	31.0000	0.0000
Banks	2.8179	2.0000	1.7385	10.0000	0.0000
Ln(Firm Risk)	-2.2835	-2.3327	0.9758	1.2590	-5.3454
Leverage	0.1323	0.0885	0.1831	2.7988	0.0000
Firm Size	19.6350	19.4900	1.2024	24.4960	16.9470
Independent Directors Ratio	0.4240	0.4000	0.1135	0.8330	0.1820
Non-affiliated Block Holders	27.2503	14.7600	38.9662	339.2600	0.0000
Ln(Age)	2.9626	3.0910	0.7287	4.6347	0.0000
Sales Growth	14.4226	6.4538	93.2761	2254.7070	-96.8719
R&D Expenditure-to-Sales	0.1445	0.0000	1.8187	35.6826	0.0000
Capital Expenditure-to-Sales	9.2843	3.6383	27.2080	561.4003	-37.0511
Marketing and Advertising Expenditure-to-Sales	2.3014	0.4010	4.0991	62.0660	0.0000

Table 6

Descriptive Statistics For Full Sample Non-Family Firms					
	Mean	Median	Standard Deviation	Maximum	Minimum
Tobin's Q	1.1582	0.8812	1.0831	11.3300	0.2553
ROE	0.0577	0.0889	1.0485	2.5277	-20.7650
ROA	0.0695	0.0563	0.5531	11.0594	-1.8846
Market-to-Book Value (MBV)	1.3298	0.7493	2.7994	34.8749	-2.4040
Related Party Transactions That Are Likely To Result In Expropriation Ratio (RPT)	0.1483	0.0000	0.2905	0.9955	0.0000
Ownership Concentration	46.0735	48.4100	15.9517	89.6200	2.1000
Squared Ownership Concentration	2,376.667	2,343.528	1,531.335	8,031.744	4.4100
Average Independent Directors' Tenure	6.0393	5.0000	4.1113	20.3330	0.0000
Banks	2.4084	2.0000	1.4059	10.0000	0.0000
Ln(Firm Risk)	0.2876	0.1635	0.3615	2.7491	0.0063
Leverage	0.1257	0.0731	0.1403	0.6967	0.0000
Firm Size	20.1482	19.8880	1.4059	24.9910	16.3070
Independent Directors Ratio	0.4283	0.4000	0.1166	0.8330	0.1430
Non-affiliated Block Holders	55.2784	24.5630	82.9609	517.6300	0.0000
Ln(Age)	24.5828	21.0000	16.4803	118.0000	1.0000
Sales Growth	7.1040	4.8082	43.7810	418.1182	-87.1248
R&D Expenditure-to- Sales	0.0804	0.0000	0.4510	5.9684	0.0000
Capital Expenditure-to- Sales	7.7666	3.4241	15.1208	207.9674	0.0000
Marketing and Advertising Expenditure- to-Sales	3.3794	0.0000	7.1290	59.1911	0.0000

Table 7: Correlation matrix (family firms)

	Q	MBV	ROE	ROA	RPT	OC	OCSQUARED	AIDT	BANKS	LNRISK	LEV	FSIZE	IDR	NAB	LNAGE	SG	RDS	CS	MS
Q	1.00																		
MBV	0.62	1.00																	
ROE	0.09	0.12	1.00																
ROA	0.20	0.17	0.58	1.00															
RPT	0.09	0.09	0.01	0.00	1.00														
OC	0.01	0.06	0.05	0.10	0.14	1.00													
OCSQUARED	0.02	0.07	0.04	0.09	0.14	0.99	1.00												
AIDT	-0.02	0.02	0.17	0.18	0.02	0.09	0.09	1.00											
BANKS	0.01	-0.03	-0.06	-0.05	0.05	-0.12	-0.11	0.01	1.00										
LNRISK	0.33	0.20	0.19	0.23	0.16	0.12	0.14	0.24	0.01	1.00									
LEV	0.30	0.04	-0.02	-0.06	0.10	0.02	0.02	-0.08	0.06	0.16	1.00								
FSIZE	0.19	0.08	0.15	0.19	0.19	0.16	0.16	0.29	0.11	0.53	0.32	1.00							
IDR	-0.08	-0.08	-0.07	-0.08	-0.03	0.03	0.06	0.01	0.01	0.06	0.02	0.07	1.00						
NAB	-0.01	-0.02	0.02	0.05	-0.04	-0.09	-0.09	-0.05	-0.06	0.12	0.00	0.04	0.08	1.00					
LNAGE	0.01	0.03	0.03	0.03	-0.03	0.17	0.18	0.39	0.00	0.14	-0.04	0.22	0.13	-0.04	1.00				
SG	0.04	0.06	0.07	0.10	0.04	0.06	0.07	-0.05	-0.03	0.10	0.01	0.07	0.05	0.07	-0.05	1.00			
RDS	0.00	0.02	0.00	-0.01	-0.02	-0.03	-0.02	-0.02	0.00	-0.02	-0.02	-0.06	0.00	0.09	0.01	-0.02	1.00		
CS	0.03	0.01	-0.03	-0.04	0.02	0.01	0.01	-0.05	-0.06	0.08	0.11	0.13	0.07	0.05	-0.02	-0.04	-0.01	1.00	
MS	0.01	0.03	0.00	-0.02	-0.07	-0.04	-0.03	-0.03	-0.08	0.01	-0.05	-0.05	0.01	0.01	-0.05	-0.02	-0.04	0.00	1.00

Q : Tobin's Q; MBV : Market-to-Book Value; ROE : Return On Equity; ROA : Return On Asset; RPT : Related Party Transactions Which Are Likely To Result In Expropriation; OC : Ownership Concentration; OCSQUARED : Squared Ownership Concentration; AIDT : Independent Directors' Tenure; BANKS : Number Of Domestic Banks That The Firm Engages With; LNRISK : Natural Logarithm Of Firm Risk; LEV : Leverage; FSIZE : Firm Size; IDR : Independent Directors' Ratio; NAB : Non-Affiliated Block Holders; LNAGE : Natural Logarithm Of Firm Age; SG : Sales Growth; RDS : Research & Development Expenditure-To-Sales; CS : Capital Expenditure-To-Sales; MS : Marketing & Advertising Expenditure-To-Sales

Table 8: Correlation matrix (non-family firms)

	Q	MBV	ROE	ROA	RPT	OC	OCSQUARED	AIDT	BANKS	LNRISK	LEV	FSIZE	IDR	NAB	LNAGE	SG	RDS	CS	MS
Q	1.00																		
MBV	0.79	1.00																	
ROE	0.08	0.22	1.00																
ROA	0.16	0.05	-0.86	1.00															
RPT	-0.10	-0.08	0.00	-0.03	1.00														
OC	0.04	0.11	0.10	0.02	-0.14	1.00													
OCSQUARED	0.05	0.10	0.09	0.02	-0.14	0.98	1.00												
AIDT	0.02	0.14	0.07	-0.02	0.20	0.11	0.09	1.00											
BANKS	-0.07	-0.10	0.00	-0.04	-0.12	-0.21	-0.19	-0.10	1.00										
LNRISK	0.35	0.36	0.10	0.06	-0.07	0.23	0.21	0.10	-0.01	1.00									
LEV	0.04	0.15	0.04	-0.03	0.00	0.00	-0.01	-0.04	0.08	0.01	1.00								
FSIZE	0.00	0.13	0.13	-0.05	-0.08	0.28	0.24	0.11	0.03	0.43	0.34	1.00							
IDR	-0.01	-0.06	-0.01	-0.04	0.01	0.03	0.04	-0.02	-0.12	-0.03	0.06	-0.04	1.00						
NAB	-0.10	-0.08	-0.02	0.00	0.15	-0.02	-0.04	0.05	-0.08	-0.06	-0.13	-0.15	-0.05	1.00					
LNAGE	0.06	0.11	0.05	-0.03	0.12	0.09	0.08	0.46	0.06	0.17	0.00	0.13	0.10	-0.10	1.00				
SG	0.00	0.02	0.10	-0.01	0.03	0.10	0.09	-0.02	-0.03	0.15	0.07	0.10	-0.05	0.04	-0.06	1.00			
RDS	0.06	0.01	-0.01	-0.01	-0.04	-0.04	-0.03	-0.05	-0.08	0.02	-0.10	-0.10	0.02	-0.07	-0.06	-0.07	1.00		
CS	-0.03	-0.01	0.00	-0.02	0.03	-0.03	-0.03	-0.06	0.02	-0.03	0.41	0.12	-0.06	-0.07	-0.05	0.11	-0.01	1.00	
MS	0.06	0.08	0.04	-0.01	-0.11	0.06	0.03	-0.04	-0.05	-0.01	-0.04	-0.01	0.01	0.04	-0.02	0.10	0.04	-0.05	1.00

Q : Tobin's Q; **MBV** : Market-to-Book Value; **ROE** : Return On Equity; **ROA** : Return On Asset; **RPT** : Related Party Transactions Which Are Likely To Result In Expropriation; **OC** : Ownership Concentration; **OCSQUARED** : Squared Ownership Concentration; **AIDT** : Independent Directors' Tenure; **BANKS** : Number Of Domestic Banks That The Firm Engages With; **LNRISK** : Natural Logarithm Of Firm Risk; **LEV** : Leverage; **FSIZE** : Firm Size; **IDR** : Independent Directors' Ratio; **NAB** : Non-Affiliated Block Holders; **LNAGE** : Natural Logarithm Of Firm Age; **SG** : Sales Growth; **RDS** : Research & Development Expenditure-To-Sales; **CS** : Capital Expenditure-To-Sales; **MS** : Marketing & Advertising Expenditure-To-Sales

Tables 5 and 6 show that among firm value variables, MBV possess higher fluctuations because it has larger standard deviation (1.0694 for family firms and 2.7994 for non-family firms); among the independent variables, sales growth (93.2766 for family firms) and non-affiliated block holders (82.9609 for non-family firms) share the same characteristic.

Tables 7 and 8 show the correlation matrix for family firms and non-family firms respectively.

4.1 Endogeneity issues

We used the Fixed Effect Model (FEM)(Chi, 2005; Liu et.al., 2014; Riadh et.al., 2018) to reduce possible endogeneity problems. The Fixed Effect Model (FEM) is expected to reduce endogeneity problems arising from omitted variables within the research model (Chi, 2005; Boulouta, 2013; Riadh et.al., 2018).

4.2 Research results

Table 9 and Table 10 show the regression results of the Fixed Effects Model for family firms and non-family firms respectively. Table 11 shows the combined regression results for both family and non-family firms.

Table 9: Actual regression results (main results): Fixed Effects Model (Family Firms)

Independent Variables And Intercept	Dependent Variable				Independent Variables And Intercept	Dependent Variable			
	Tobin's Q		MBV			ROE		ROA	
	Coeff.	t-stats	Coeff.	t-stats		Coeff.	t-stats	Coeff.	t-stats
Intercept	2.6437***	6.1565	2.2605***	2.7828	Intercept	-0.6374***	-2.7443	-0.2476	-3.3914
No. of Domestic Banks Engaged by the Firm (BANKS)	-0.0525	-0.6230	-0.0608	-0.3872	No. of Domestic Banks Engaged by the Firm (BANKS)	0.0028	0.0628	0.0103	0.7050
Ownership Concentration (OC)	-0.0182	-1.4182	-0.0394	-1.6427	Ownership Concentration (OC)	0.0081	1.1842	0.0041	1.8374
Squared Ownership Concentration (OCSQUARED)	0.0002	1.5484	0.0005*	1.8644	Squared Ownership Concentration (OCSQUARED)	-0.0001	-1.1327	-0.0000	-1.4546
Firm Size (SIZE)	-0.0624***	-3.5062	-0.0085	-0.2512	Firm Size (SIZE)	0.0320***	3.2136	0.0119	3.9432
Ln (Firm Risk)	0.1288***	8.9650	0.1497	6.0202***	Ln (Firm Risk)	0.0243***	2.4321	0.0068	2.3392
Leverage (LEV)	0.9014***	13.8947	0.0395	0.3405	Leverage (LEV)	-0.0591	-1.4076	-0.0518	-3.9983
Independent Directors Ratio (IDR)	-0.1664	-1.2506	-0.3749	-1.5511	Independent Directors Ratio (IDR)	-0.075283	-0.952057	-0.0401	-1.6619
Non-Affiliated Block Holders (NAB)	-0.0008*	-1.7589	-0.0025***	-2.8771	Non-Affiliated Block Holders (NAB)	0.0000197	0.082375	0.0001	0.9031
Ln (Age)	0.0178	0.5714	-0.0034	-0.0501	Ln (Age)	-0.020771	-1.520397	-0.0088	-1.9164
Sales Growth (SG)	0.0006	0.5365	0.0002	1.2303	Sales Growth (SG)	0.0000995	1.248127	0.0000	1.8107
R&D Expenditure-to-Sales (RDS)	0.0041	0.4358	-0.0064	-0.3521	R&D Expenditure-to-Sales (RDS)	0.000190	0.038919	0.0006	0.3726

Capital Expenditure-to-Sales (CS)	0.0003	0.8302	0.0006	1.0114	Capital Expenditure-to-Sales (CS)	-0.000203	-0.601932	-0.0001	-1.4707
Marketing & Advertising Expenditure-to-Sales (MS)	0.0020	0.6879	0.0073	1.4663	Marketing & Advertising Expenditure-to-Sales (MS)	0.0000776	0.035850	-0.0006	-1.0380
Related Party Transactions Which Are Likely To Result In Expropriation Ratio (RPT)	0.0403	1.0693	0.0231	0.3451	Related Party Transactions Which Are Likely To Result In Expropriation Ratio (RPT)	-0.0147	-0.6160	-0.0074	-1.022
Average Independent Directors' Tenure (TENURE)	-0.0010	-0.2032	0.0012	0.1248	Average Independent Directors' Tenure (TENURE)	0.0082***	3.0922	0.0027	3.2901
OC x BANKS	0.0030	0.7670	0.0029	0.3989	OC x BANKS	-0.000604	-0.292600	-0.0005	-0.7655
OCSQUARED x BANKS	-0.0000	-0.8482	-0.0000	-0.4780	OCSQUARED x BANKS	0.00000821	0.367402	0.0000	0.6399
N	379		379		N	379		379	
Adjusted R-Squared (%)	21.9697		8.8198		Adjusted R-Squared (%)	4.7152		7.4374	
F-Statistic	17.8339***		6.7834***		F-Statistic	3.958723***		5.8045***	

* 10% sig.level ** 5% sig.level *** 1% sig.level

Table 10: Actual regression results (main results): Fixed Effects Model (Non-Family Firms)

Independent Variables And Intercept	Dependent Variable				Independent Variables And Intercept	Dependent Variable			
	Tobin's Q		MBV			ROE		ROA	
	Coeff.	t-stats	Coeff.	t-stats		Coeff.	t-stats	Coeff.	t-stats
Intercept	2.3659	1.2357	-1.6067	-0.3211	Intercept	0.0510	0.0761	-0.5833*	-1.9190
No. of Domestic Banks Engaged by the Firm (BANKS)	0.0731	0.3475	-0.0522	-0.1013	No. of Domestic Banks Engaged by the Firm (BANKS)	0.1312	1.1250	0.0314	0.6103
Ownership Concentration (OC)	-0.0079	-0.3480	-0.0020	-0.0379	Ownership Concentration (OC)	0.0163	1.1023	0.0195***	2.6607
Squared Ownership Concentration (OCSQUARED)	0.0001	0.5543	0.0001	0.2572	Squared Ownership Concentration (OCSQUARED)	-0.0002	-1.0661	-0.0002***	-2.6764
Firm Size (SIZE)	-0.0422	-0.4479	0.1570	0.6441	Firm Size (SIZE)	-0.0069	-0.2384	0.0199	1.4785
Ln (Firm Risk)	0.1370***	3.6489	0.3245***	3.4759	Ln (Firm Risk)	0.0520**	2.1976	0.0313***	2.7688
Leverage (LEV)	1.2651***	2.8098	5.8500***	5.1100	Leverage (LEV)	0.3275	1.3184	0.0318	0.2874
Independent Directors Ratio (IDR)	-0.3123	-0.7140	-0.3034	-0.2736	Independent Directors Ratio (IDR)	0.0861	0.3847	-0.0520	-0.5210
Non-Affiliated Block Holders (NAB)	-0.0011*	-1.8790	-0.0025*	-1.6728	Non-Affiliated Block Holders (NAB)	-0.0005*	-1.8918	-0.0001	-1.0147
Ln (Age)	0.0242	0.1819	0.1063	0.2612	Ln (Age)	-0.0378	-0.9415	-0.0371**	-1.9967
Sales Growth (SG)	-0.0000	-0.0810	0.0008	0.5906	Sales Growth (SG)	0.0001	0.2851	0.0008***	3.3256
R&D Expenditure-to-Sales (RDS)	-0.0800	-1.2943	0.0042	0.0295	R&D Expenditure-to-Sales (RDS)	-0.1126**	-2.5573	0.0301**	1.9764

Capital Expenditure-to-Sales (CS)	-0.0019	-1.1813	-0.0044	-1.2456	Capital Expenditure-to-Sales (CS)	-0.0013	-0.8686	-0.0003	-0.4900
Marketing & Advertising Expenditure-to-Sales (MS)	1.0780	0.8210	1.6709	0.4753	Marketing & Advertising Expenditure-to-Sales (MS)	0.7980	1.6365	0.1613	0.6714
Related Party Transactions Which Are Likely To Result In Expropriation Ratio (RPT)	-0.1601	-1.0143	-0.6320	-1.5372	Related Party Transactions Which Are Likely To Result In Expropriation Ratio (RPT)	-0.0858	-0.9809	0.0199	0.4769
Average Independent Directors' Tenure (TENURE)	0.0124	0.8751	0.0737**	1.9724	Average Independent Directors' Tenure (TENURE)	0.0088	1.2213	0.0060*	1.8860
OC x BANKS	-0.0036	-0.3789	-0.0059	-0.2522	OC x BANKS	-0.0070	-1.2882	-0.0028	1.1448
OCSQUARED x BANKS	0.0000	0.304819	0.0000	0.0680	OCSQUARED x BANKS	0.0001	1.2360	0.0000	1.2546
N	92		92		N	92		92	
Adjusted R-Squared (%)	7.5928		13.2365		Adjusted R-Squared (%)	5.3724		18.2412	
F-Statistic	2.1893***		3.2081***		F-Statistic	1.8217**		4.2292***	

* 10% sig.level ** 5% sig.level *** 1% sig.level

Table 11: Actual regression results (main results) : Fixed Effects Model (Family Firms And Non-Family Firms)

Independent Variables And Intercept	Dependent Variable				Independent Variables And Intercept	Dependent Variable			
	Tobin's Q		MBV			ROE		ROA	
	Coeff.	t-stats	Coeff.	t-stats		Coeff.	t-stats	Coeff.	t-stats
Intercept	3.082547***	5.089021	4.9660***	2.9036	Intercept	-0.1463	-0.6228	-0.28270***	-3.2739
No. of Domestic Banks Engaged by the Firm (BANKS)	-0.0653	-1.5230	-0.3081**	-2.5079	No. of Domestic Banks Engaged by the Firm (BANKS)	-0.0143	-0.9012	-0.0192***	-3.2865
Ownership Concentration (OC)	-0.0045	-0.3539	0.0183	0.5103	Ownership Concentration (OC)	0.0037	0.7178	0.0094***	4.9521
Squared Ownership Concentration (OCSQUARED)	0.0001	0.5221	-0.0001	-0.1790	Squared Ownership Concentration (OCSQUARED)	-0.0000	-0.7872	-0.0001***	-4.48079
Firm Size (SIZE)	-0.0544**	-2.0387	-0.1134	-1.5016	Firm Size (SIZE)	0.0190*	1.8482	0.0120***	3.2066
Ln (Firm Risk)	0.2559***	9.5209	0.4839***	6.3295	Ln (Firm Risk)	0.0403***	3.8616	0.0168***	4.3619
Leverage (LEV)	0.8979***	6.5552	0.9967**	2.5155	Leverage (LEV)	-0.0412	-0.7994	-0.0607***	-3.125809
Independent Directors Ratio (IDR)	-0.5183**	-2.3528	-1.1414*	-1.8217	Independent Directors Ratio (IDR)	-0.1097	-1.3078	-0.0703**	-2.2831
Non-Affiliated Block Holders (NAB)	-0.0015***	-3.2938	-0.0035***	-2.6876	Non-Affiliated Block Holders (NAB)	-0.0002	-1.4400	-0.0000	-0.4999
Ln (Age)	0.0366	0.9125	0.1060	0.9146	Ln (Age)	-0.0211	-1.4709	-0.0126**	-2.3404
Sales Growth (SG)	0.0000	0.1017	0.0004	0.7189	Sales Growth (SG)	0.0001	1.2778	0.0001***	2.5950
R&D Expenditure-to-Sales (RDS)	0.0067	0.4428	0.0195	0.4484	R&D Expenditure-to-Sales (RDS)	0.0008	0.1411	0.0001	0.0540

Capital Expenditure-to-Sales (CS)	-0.0005	-0.7107	-0.0002	-0.1069	Capital Expenditure-to-Sales (CS)	-0.0004	-1.0871	-0.0001	-1.1093
Marketing & Advertising Expenditure-to-Sales (MS)	0.0024	0.3845	0.0063	0.3613	Marketing & Advertising Expenditure-to-Sales (MS)	0.0005	0.2021	-0.0003	-0.3460
Related Party Transactions Which Are Likely To Result In Expropriation Ratio (RPT)	-0.0482	-0.6831	-0.1254	-0.6221	Related Party Transactions Which Are Likely To Result In Expropriation Ratio (RPT)	-0.0328	-1.2284	-0.0116	-1.1731
Average Independent Directors' Tenure (TENURE)	-0.0057	-0.7783	0.0048	0.2284	Average Independent Directors' Tenure (TENURE)	0.0087***	3.1910	0.0031***	3.0591
Firm Type	-0.4173***	-3.1230	-1.2855***	-3.3622	Firm Type	-0.0612	-1.2399	-0.03271*	-1.7868
Firm Type x BANKS	0.0875	0.7810	0.5146	1.6130	Firm Type x BANKS	-0.0082	-0.1946	0.0585***	3.6750
Firm Type x OC x BANKS	-0.0000	-0.0011	-0.0075	-0.5371	Firm Type x OC x BANKS	0.0003	0.1722	-0.0018**	-2.5308
Firm Type x OCSQUARED x BANKS	-0.0000	-0.2214	0.0000	0.2893	Firm Type x OCSQUARED x BANKS	0.0000	0.0022	0.0000**	2.2400
N	471		471		N	471		471	
Adjusted R-Squared (%)	20.8961		11.7212		Adjusted R-Squared (%)	6.1513		14.3433	
F-Statistic	18.7557***		9.9275***		F-Statistic	5.4070***		12.2591***	

* 10% sig.level ** 5% sig.level *** 1% sig.level

In Table 9, average independent directors' tenure significantly increases firm value at 1% significance level. Very high ownership concentration significantly increases firm value at 10% significance level. There is inconclusive evidence on the relationship between firm size and firm value. Firm risk significantly increases firm value at 1% significance level. Leverage significantly increases firm value at 1% significance level. Non-affiliated block holders significantly reduce firm value at 1% and 10% significance level respectively.

In Table 10, average independent directors' tenure significantly increases firm value at 1% and 10% significance level respectively. Lower levels of ownership concentration significantly increase firm value at 1% significance level. Higher levels of ownership concentration significantly reduce firm value at 1% significance level. Firm risk significantly increases firm value at 1% and 5% significance levels respectively. Leverage significantly increases firm value at 1% significance level. Non-affiliated block holders significantly reduce firm value at 10% significance level. Firm age significantly reduces firm value at 5% significance level. Sales growth significantly increases firm value at 1% significance level. There is inconclusive evidence on the relationship between R&D expenditure-to-sales and firm value.

In Table 11, average independent directors' tenure significantly increases firm value at 1% significance level. The number of domestic banks engaged by the firm significantly reduce firm value at 1% and 5% significance level respectively. Lower levels of ownership concentration significantly increase firm value at 1% significance level. Higher levels of ownership concentration significantly reduce firm value at 1% significance level. There is inconclusive evidence on the relationship between firm size and firm value. Firm risk significantly increases firm value at 1% significance level. Leverage significantly increases firm value at 1% and 5% significance level respectively. The independent directors ratio significantly reduces firm value at 5% and 10% significance level respectively. Non-affiliated block holders significantly reduce firm value at 1% significance level. Firm age significantly reduces firm value at 5% significance level. Sales growth significantly increases firm value at 1% significance level. Family firms have an overall lower firm value at 1% and 10% significance level respectively.

Tables 9 and 11 show no evidence of a significant relationship between the number of domestic banks that the firm engages with and firm value in family firms. In addition, there is inconclusive evidence on whether this significant relationship is stronger in family firms compared to non-family firms. There is also no evidence that there is a significant moderating effect of ownership concentration at both very high and lower level on the relationship between the number of domestic banks that the firm engages with and firm value in this type of firms. There is also no evidence on whether this significant moderating effect at both very high and lower level is stronger in family firms compared to non-family firms.

Additionally, the results from Tables 10 and 11 do not support the hypothesis that there is relationship between the number of domestic banks that the firm engages with and firm value in non-family firms. Similarly, the moderating effect of ownership concentration at both very high and lower level on the relationship between the number of domestic banks that the firm engages with and firm value for non-family firms is not supported.

Table 12: Actual regression results (main results) : Fixed Effects Model (Family Firms)(Without Absolute Monopoly Industries)

Independent Variables And Intercept	Dependent Variable				Independent Variables And Intercept	Dependent Variable			
	Tobin's Q		MBV			ROE		ROA	
	Coeff.	t-stats	Coeff.	t-stats		Coeff.	t-stats	Coeff.	t-stats
Intercept	2.4583***	6.9509	3.1652***	5.6295	Intercept	-0.5359**	-2.5698	-0.2223***	-3.1017
No. of Domestic Banks Engaged by the Firm (BANKS)	-0.0444	-0.6242	-0.2171*	-1.9064	No. of Domestic Banks Engaged by the Firm (BANKS)	0.0032	0.0807	0.0089	0.6262
Ownership Concentration (OC)	-0.0186*	-1.7049	-0.0719***	-4.1070	Ownership Concentration (OC)	0.0082	1.3330	0.0039*	1.7761
Squared Ownership Concentration (OCSQUARED)	0.0002*	1.8290	0.0008***	4.4084	Squared Ownership Concentration (OCSQUARED)	-0.0001	-1.1892	-0.0000	-1.4202
Firm Size (SIZE)	-0.0517***	-3.6409	-0.0127	-0.5691	Firm Size (SIZE)	0.02696***	3.0389	0.0107***	3.6275
Ln (Firm Risk)	0.1310***	9.9490	0.2046***	10.5356	Ln (Firm Risk)	0.0332***	3.7864	0.0085***	2.9533
Leverage (LEV)	0.8488***	14.1353	-0.0609	-0.6930	Leverage (LEV)	-0.0947***	-2.5959	-0.0561***	-4.4269
Independent Directors Ratio (IDR)	-0.0445	-0.3913	-0.1689	-0.9541	Independent Directors Ratio (IDR)	-0.0316	-0.4438	-0.0215	-0.8999
Non-Affiliated Block Holders (NAB)	-0.0006*	-1.6678	-0.0010*	-1.7832	Non-Affiliated Block Holders (NAB)	0.0000	0.1350	0.0000	1.1111
Ln (Age)	-0.0021	-0.0916	-0.0485	-1.2901	Ln (Age)	-0.0167	-1.3938	-0.0089**	-2.0002
Sales Growth (SG)	0.0000	0.5628	0.0001	0.7739	Sales Growth (SG)	0.0001	1.1315	0.0000**	1.9755
R&D Expenditure-to-Sales (RDS)	0.0033	0.4567	0.0034	0.2909	R&D Expenditure-to-Sales (RDS)	-0.0002	-0.0349	0.0004	0.3007
Capital Expenditure-to-Sales (CS)	0.0002	0.6875	0.0005	1.0337	Capital Expenditure-to-Sales (CS)	-0.0001	-0.3381	-0.0001	-1.1025
Marketing & Advertising Expenditure-to-Sales (MS)	0.0008	0.2982	0.0058	1.3522	Marketing & Advertising Expenditure-to-Sales (MS)	-0.0012	-0.5761	-0.0011*	-1.6643

Related Party Transactions Which Are Likely To Result In Expropriation Ratio (RPT)	0.0278	0.8265	-0.0078	-0.1542	Related Party Transactions Which Are Likely To Result In Expropriation Ratio (RPT)	-0.0031	-0.1466	-0.0068	-0.9498
Average Independent Directors' Tenure (TENURE)	-0.0022	-0.5596	-0.0003	-0.0535	Average Independent Directors' Tenure (TENURE)	0.0026	1.1355	0.0027***	3.3822
OC x BANKS	0.0029	0.8795	0.0103*	1.9290	OC x BANKS	-0.0004	-0.2003	-0.0004	-0.6653
OCSQUARED x BANKS	-0.0000	-1.0623	-0.0001**	-2.0417	OCSQUARED x BANKS	0.0000	0.1882	0.0000	0.5216
N	366		366		N	366		366	
Adjusted R-Squared (%)	24.418		16.0478		Adjusted R-Squared (%)	4.9474		8.0448	
F-Statistic	19.6528***		12.0366***		F-Statistic	4.0051***		6.0512***	

* 10% sig.level ** 5% sig.level *** 1% sig.level

Table 13: Actual regression results (main results): Fixed Effects Model (Non-Family Firms)(Without Absolute Monopoly Industries)

Independent Variables And Intercept	Dependent Variable				Independent Variables And Intercept	Dependent Variable			
	Tobin's Q		MBV			ROE		ROA	
	Coeff.	t-stats	Coeff.	t-stats		Coeff.	t-stats	Coeff.	t-stats
Intercept	3.1283**	2.2964	2.0554	0.7948	Intercept	-0.0443	-0.0848	-0.5285*	-1.8600
No. of Domestic Banks Engaged by the Firm (BANKS)	-0.0041	-0.0250	-0.1380	-0.4284	No. of Domestic Banks Engaged by the Firm (BANKS)	0.0601	0.6301	0.0151	0.3108
Ownership Concentration (OC)	-0.0216	-1.1278	-0.0355	-0.9600	Ownership Concentration (OC)	0.0056	0.4400	0.0160**	2.2900
Squared Ownership Concentration (OCSQUARED)	0.0003	1.5303	0.0006	1.6022	Squared Ownership Concentration (OCSQUARED)	-0.0000	-0.3251	-0.0002**	-2.2926
Firm Size (SIZE)	-0.0703	-1.0541	0.0150	0.1181	Firm Size (SIZE)	0.0079	0.3638	0.0201	1.5942
Ln (Firm Risk)	0.0936***	2.9896	0.1788***	3.0971	Ln (Firm Risk)	0.0237	1.1810	0.0232**	2.1215
Leverage (LEV)	0.1618	0.4442	0.6363	0.9220	Leverage (LEV)	-0.3846*	-1.6961	-0.0622	-0.5762
Independent Directors Ratio (IDR)	-0.3586	-1.0487	-1.0173*	-1.6652	Independent Directors Ratio (IDR)	0.0741	0.4202	-0.0404	-0.4306
Non-Affiliated Block Holders (NAB)	-0.0008*	-1.7488	-0.0013	-1.4186	Non-Affiliated Block Holders (NAB)	-0.0004*	-1.8282	-0.0001	-0.8434
Ln (Age)	-0.0203	-0.2177	-0.1623	-0.9840	Ln (Age)	-0.0423	-1.3953	-0.0392**	-2.2533
Sales Growth (SG)	-0.0006	-0.1176	0.0009	0.9295	Sales Growth (SG)	0.0003	0.6119	0.0007***	3.4182
R&D Expenditure-to-Sales (RDS)	-0.0688	-1.4397	0.0533	0.6264	R&D Expenditure-to-Sales (RDS)	-0.0724**	-1.9880	0.0267*	1.8754
Capital Expenditure-to-Sales (CS)	-0.0013	-0.9369	-0.0017	-0.7444	Capital Expenditure-to-Sales (CS)	0.0003	0.2328	-0.0002	-0.2366
Marketing & Advertising Expenditure-to-Sales (MS)	-0.3587	-0.3537	0.3719	0.1910	Marketing & Advertising Expenditure-to-Sales (MS)	0.5271	1.4057	0.0715	0.3152
Related Party Transactions Which Are Likely To Result In	-0.07924	-0.6191	-0.1574	-0.6524	Related Party Transactions Which Are Likely To Result	-0.0348	-0.4907	0.0238	0.606547

Expropriation Ratio (RPT)					In Expropriation Ratio (RPT)				
Average Independent Directors' Tenure (TENURE)	0.0085	0.7403	0.0491**	2.3241	Average Independent Directors' Tenure (TENURE)	0.0031	0.5340	0.0056*	1.8797
OC x BANKS	0.0036	0.4825	0.0129	0.8661	OC x BANKS	-0.0026	-0.5827	-0.0018	-0.7869
OCSQUARED x BANKS	-0.0001	-0.8015	-0.0002	-1.2851	OCSQUARED x BANKS	0.0000	0.4945	0.0000	0.9039
N	91		91		N	91		91	
Adjusted R-Squared (%)	7.6270		7.7883		Adjusted R-Squared (%)	2.8906		16.5581	
F-Statistic	2.1820***		2.2091***		F-Statistic	1.4261***		3.8408***	

* 10% sig.level ** 5% sig.level *** 1% sig.level

Table 14: Actual regression results (main results): Fixed Effects Model (Family Firms And Non-Family Firms)(Without Absolute Monopoly Industries)

Independent Variables And Intercept	Dependent Variable				Independent Variables And Intercept	Dependent Variable			
	Tobin's Q		MBV			ROE		ROA	
	Coeff.	t-stats	Coeff.	t-stats		Coeff.	t-stats	Coeff.	t-stats
Intercept	3.0787***	8.4220	2.6860***	4.0378	Intercept	-0.2205	-1.1128	-0.3238***	-4.1701
No. of Domestic Banks Engaged by the Firm (BANKS)	0.0014	0.0535	-0.0469	-1.0494	No. of Domestic Banks Engaged by the Firm (BANKS)	-0.0087	-0.6713	-0.0191***	-3.6408
Ownership Concentration (OC)	-0.0176***	-2.6418	-0.0202*	-1.7533	Ownership Concentration (OC)	-0.0002	-0.0438	0.0099***	5.9754
Squared Ownership Concentration (OCSQUARED)	0.0002***	3.0121	0.0003***	2.6880	Squared Ownership Concentration (OCSQUARED)	0.0000	0.0834	-0.0001***	-5.4503
Firm Size (SIZE)	-0.0740***	-4.3715	-0.0253	-0.8089	Firm Size (SIZE)	0.0222**	2.5525	0.0124***	3.6445
Ln (Firm Risk)	0.1321***	10.1993	0.2085***	10.0281	Ln (Firm Risk)	0.0287***	3.3808	0.0130***	3.9785
Leverage (LEV)	0.8462***	13.2461	-0.0158	-0.1557	Leverage (LEV)	-0.0948**	-2.2952	-0.0777***	-4.7999
Independent Directors Ratio (IDR)	-0.0848	-0.6881	-0.4279**	-2.0246	Independent Directors Ratio (IDR)	-0.0420	-0.5999	-0.0205	-0.7458
Non-Affiliated Block Holders (NAB)	-0.0008***	-2.8728	-0.0013***	-2.7051	Non-Affiliated Block Holders (NAB)	-0.0001	-0.5069	-0.0000	-0.8003
Ln (Age)	0.0056	0.2013	-0.0567	-1.100	Ln (Age)	-0.0190	-1.6023	-0.0167***	-3.3812
Sales Growth (SG)	0.0000	0.3422	0.0002	1.0380	Sales Growth (SG)	0.0001	0.9460	0.0001***	2.5923
R&D Expenditure-to-Sales (RDS)	-0.0011	-0.1201	0.0062	0.3651	R&D Expenditure-to-Sales (RDS)	-0.0029	-0.6325	0.0021	1.1388
Capital Expenditure-to-Sales (CS)	0.0001	0.1846	0.0005	0.8464	Capital Expenditure-to-Sales (CS)	-0.0002	-0.6513	-0.0001	-0.5877
Marketing & Advertising Expenditure-to-Sales (MS)	0.0000	0.0039	0.0054	1.0071	Marketing & Advertising Expenditure-to-Sales (MS)	-0.0015	-0.6337	-0.0010	-1.0268
Related Party Transactions	0.0210	0.5713	-0.0005	-0.0090	Related Party Transactions	-0.0046	-0.2085	-0.0021	-0.2425

Which Are Likely To Result In Expropriation Ratio (RPT)					Which Are Likely To Result In Expropriation Ratio (RPT)				
Average Independent Directors' Tenure (TENURE)	0.0004	0.0989	0.0119	1.5418	Average Independent Directors' Tenure (TENURE)	0.0033	1.4753	0.0035***	3.9514
Firm Type	-0.2300***	-2.6962	-0.4196***	-2.7220	Firm Type	-0.0184	-0.4497	-0.0328**	-1.9780
Firm Type x BANKS	-0.0353	-0.5416	0.1861	1.6118	Firm Type x BANKS	-0.0360	-1.0288	0.0594***	4.1800
Firm Type x OC x BANKS	0.0025	0.9120	-0.0060	-1.2407	Firm Type x OC x BANKS	0.0016	1.0458	-0.0019***	-2.9586
Firm Type x OCSQUARED x BANKS	-0.0000	-1.1627	0.0000	0.9491	Firm Type x OCSQUARED x BANKS	-0.0000	-0.9089	0.0000***	2.6786
N	457		457		N	457		457	
Adjusted R-Squared (%)	21.0099		14.6566		Adjusted R-Squared (%)	3.0223		11.5387	
F-Statistic	18.3521***		12.2038***		F-Statistic	3.0331***		9.5095***	

* 10% sig.level ** 5% sig.level *** 1% sig.level

To ensure robustness of the results, industry effects are controlled by excluding industries where either family or non-family firms dominate the industries (i.e. excluding absolute monopoly industries⁵). If there is no control on industry effects, regression results can be biased (Porter, 1980), given the political economy of Malaysia (Gomez et. al., 2018). The results in Tables 12 and 14 now evidence a significant negative relationship (at 1% and 10% significance level) between the number of domestic banks that the firm engages with and firm value among family firms after excluding family firms with monopoly in certain industries. However, there is no conclusive evidence that this significant negative relationship is stronger in family firms compared to non-family firms. At lower level of ownership concentration, there is a significant positive moderating effect of ownership concentration on the relationship between the number of domestic banks that the firm engages with and firm value among family firms, after excluding family firms with monopoly in certain industries, at 10% significance level. However, at very high level of ownership concentration, there is a significant negative moderating effect of ownership concentration (at 5% significance level) on the relationship between the number of domestic banks that the firm engages with and firm value among family firms after excluding family firms with monopoly in certain industries.

Generally, there is a significant negative relationship between the number of domestic banks that the firm engages with and firm value among family firms without monopoly in certain industries. However, there is no evidence that the significant positive moderating effects of ownership concentration at lower level and the significant negative moderating effects of ownership concentration at very high level on the relationship between the number of domestic banks that the firm engaged with and firm value is stronger in family firms compared to non-family firms. On the same note, Tables 13 and 14 do not support the notion that there is a relationship between the number of domestic banks that the firm engages with and firm value in non-family firms without monopoly in certain industries. The moderating effect of ownership concentration at both very high and lower level on the relationship between the number of domestic banks that the firm engages with and firm value is also not evidenced.

5. Discussion and implications

This study reveals two findings. Firstly, there is a significant negative relationship between the number of domestic banks that the firm engages with and firm value in family firms only after excluding family firms with monopoly in certain industries. This negative relationship is also observed by Fok et.al. (2004) whereby the number of domestic banks that the firm engaged with reduces firm value. However, this significant negative relationship is not stronger in family firms compared to non-family firms. Hence, hypothesis 1a is supported whereas 1b is not supported.

⁵ As discussed earlier some family firms in Malaysia have monopoly in certain industries and from non-family context, Government Linked Companies (GLCs) or Government Investment Linked Companies (GLICs) operate in the utilities and telecommunication industries (Gomez et.al., 2018).

Secondly, at lower level of ownership concentration, there is a significant positive moderating effect of ownership concentration on the relationship between the number of domestic banks that the firm engages with and firm value in family firms only after excluding family firms with monopoly in certain industries. However, this significant positive moderating effect does not appear to be stronger in family firms compared to non-family firms. Hence, hypothesis 2a is supported but 2b is not supported. Similarly, at very high level of ownership concentration, there is a significant negative moderating effect of ownership concentration on the relationship between the number of domestic banks that the firm engages with and firm value in family firms without monopoly in certain industries. However, there is no evidence that this significant negative moderating effect is stronger in family firms compared to non-family firms. Hence, hypotheses 2c and 2d are not supported.

There are two important implications of this research. First, we evidence that the number of domestic banks engaged by the firm is associated with expropriation in family firms in the Malaysian institutional context. Family firms within non-absolute monopoly industries encounter higher market competition, therefore, their controlling shareholders possess higher incentives to expropriate through the domestic banks that their firms engaged with. Second, consistent with the incentive alignment and corporate reputational effects, ownership concentration has a significant positive moderating effect on the firm value effects due to the number of domestic banks engaged by family firms but only at lower level of ownership concentration. At lower level of ownership concentration, an increase in ownership concentration allow the controlling shareholders of family firms to increase their corporate control and resolve the Agency Problem Type I prevailing in their firms. Interestingly, corporate reputational effects have a positive influence on the controlling shareholders of such firms by aligning their interests with the interests of minority shareholders. However, at very high level of ownership concentration, ownership concentration instead has a significant negative moderating effect on the firm value effects due to the number of domestic banks engaged by family firms. This is contrary to what is argued in the hypotheses development section. In the context of the Malaysian institutional setting where investor protection is relatively poorer compared to developed markets, family owners with very high shareholding become entrenched (Claessens et.al, 2002) and they may take the opportunity to extract financial resources from their firms through their close relationship with domestic banks (Faccio et.al, 2001b). This explains the significant negative moderating effect. Consequently, controlling shareholders of family firms within non-absolute monopoly industries should ensure that they possess lower ownership stakes in their firms which is crucial for good corporate governance as evidenced by the research results. This is an important capital structure decision and family owners in non-absolute monopoly industries can achieve this goal by selling more equity to outside investors and incur less debt if their firms want to raise capital. The SC can play a critical role in this aspect by implementing policies which encourage lower level of controlling shareholders' ownership among public-listed firms particularly targeting family firms within non-absolute monopoly industries.

6. Conclusion

There is a significant negative relationship between the number of domestic banks engaged by family firms and firm value in the context of the Malaysian socio-political institutional setting. The higher the number of domestic banks that the firm engages, the lower the firm value. This is consistent with the arguments that domestic banking relationship could lead to abuse and expropriation by firms particularly family firms, within poor institutional environment such as Malaysia and other emerging markets. Further, lower level of ownership concentration shows a significant positive moderating effect on expropriation due to the number of domestic banks engaged by family firms. This contradicts arguments that in developing economies, corporate reputational effects are deemed as a poor substitute for institutional deficiencies. Our findings support Mazzelli et. al. (2018) concept of “conformity-in-distinctiveness” where family firms conform to the behaviour of other family firms rather than industry norms in order to avoid social losses as well as the concept “distinctiveness-inconformity” introduced for non-family firms, which for economic reasons, are less likely to imitate the innovations of non-family firms than the innovations of family firms.

We posit that given the concern with reputational effects following the infamous Transmile case that attracted significant attention and monitoring by SC, family controlling shareholders tend to reduce expropriation when their shareholding increase; hence, the significant positive moderating effect of ownership concentration. However, this occur only at lower level of controlling shareholders’ ownership. At very high level of controlling shareholders’ ownership, a significant negative moderating effect on expropriation due to the number of domestic banks engaged by family firms occur in the context of the Malaysian capital markets. This proves that at very high level of shareholding, the entrenchment hypothesis is relevant to family owners whereby they extract financial resources from their firms through the close relationship between their firms and the domestic banks, at the expense of minority shareholders. As espoused by Chrisman et.al. (2018), our study adds to the research that the behaviors of family firms are influenced by formal and informal governance mechanisms that exist within or outside their boundaries and the principal-principal agency theory can be an integral part of future research agenda on family firms.

This research provides some insights to both academia and industry regarding the consequences of domestic banking relationship and different levels of concentrated ownership in family firms in an emerging market. These insights can help improve the corporate governance as well as ownership structure of Malaysian public-listed family firms which dominate the capital market. Our findings refute the argument by Peng and Jiang (2010) by demonstrating that corporate reputational effects may be a substitute for institutional deficiencies.

This research has focused only on family and non-family firms. Given the political economy of Malaysia, it is suggested that future research investigate the behavior of

government-linked and politically connected firms. Future research could examine minority shareholder expropriation using a qualitative approach to identify what factors influence such expropriation. Such factors may include the firm's management style, leadership style, quality of institutions, institutional transitions, strategic changes, structure of a business group and other related factors. Such insights are equally important to enhance our understanding of corporate governance in emerging economies (Young et.al., 2008).

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