DEBT MATURITY AND FAMILY RELATED DIRECTORS: EVIDENCE FROM A DEVELOPING MARKET

Hussain H.I., Abidin I.S.Z., Ali A., Kamarudin F.[*]

Abstract: This paper examines the debt maturity structures of Malaysian firms based on the presence of family-related directors (FRDs) on boards. The motivation is derived from the board composition literature, which highlights reforms taken place over the years in order to ensure proper governance mechanisms. Conversantly, debt maturities are also linked to reductions in agency costs whereby firms with short-term borrowings will be subject to greater levels of monitoring by markets. Furthermore, this reduces information asymmetry. Thus, the paper evaluates the effectiveness of FRDs in alleviating the agency problem by studying the trade-off of such presence on debt maturity structures. The study finds that firms with the presence of FRDs tend to opt for longer maturity structures. These points towards a substitution effect where firms with FRDs will not rely on short-term borrowing as a mechanism for reducing agency problems. The findings of the study are further validated given that the presence of FRDs is not motivated by firms matching strategy of assets versus liabilities. However, these firms also opt for long-term borrowing in order to mitigate potential liquidity problems. The study further documents that these firms face lower bankruptcy costs. Interestingly, the authors also document that FRD opt to lengthen maturity structures during periods of increase in share prices indicating that control by family members tend to take into consideration shareholders' wealth maximization. The finding is valid given that most firms with FRD also tend to have significant ownership by families.

Key words: debt maturity, capital structure, family related directors, board composition, corporate governance, family firms

Introduction

The capital structure puzzle is derived from the irrelevance hypothesis points toward an irrelevant debt maturity structure (Modigliani and Miller, 1958; Kraus 1973). The model is based on the perfect capital market assumptions where firms are able to raise financing without transactions costs and thus will be able to alter debt composition frequently (Abdul Hadi et al., 2018a). Debt maturity would thus

---

[*] Associate Professor Dr **Hafezali Iqbal Hussain,** Taylor's Business School, Taylor's University; Universiti Kuala Lumpur Business School; Associate Professor Dr **Irwan Shah Zainal Abidin**, School of Economics, Finance and Banking, Universiti Utara Malaysia; Associate Professor Dr. **Azlan Ali**, University College of Technology Sarawak; Dr. **Fakarudin Kamarudin,** Senior Lecturer, Faculty of Economics and Management, Universiti Putra Malaysia

✉ Corresponding author: hafezali.iqbalhussain@taylors.edu.my

✉ irawanshah@uum.edu.my; azlan.ali@ucts.edu.my; fakarudin@econ.upm.edu.my

POLISH JOURNAL OF MANAGEMENT STUDIES
Hussain H.I., Abidin I.S.Z., Ali A., Kamarudin F.

2018
Vol.18 No.2

have a direct impact on shareholders' risk exposure in perfect capital markets and thus firm valuations, given that interest rates are exogenous and determined by the market, which limits investors' ability to diversify away this particular risk (Morris, 1976; Khaw and Lee, 2016). Relaxing the perfect capital market assumptions further points towards utilizing debt maturity structures as a tool to reduce agency problems (Myers, 1977; Alias et al., 2017), for the purpose of tax planning (Lewis, 1990; Waluyo, 2018), a tool to send signals to the market as well as balancing the demand for liquidity (Diamond and He, 2014).

The empirical literature shows that studies on debt maturity have received considerable attention given that it is a major financing decision, which leads to differing structure across firms (Scherr and Hulburt, 2001). In addition, firms are constantly trading off the cost versus benefit of short-term versus long-term debt, which leads to adjustment to target debt maturity levels that indirectly lead to the reduction in agency problems (Hussain et al., 2018a). Proof of managerial action of altering the debt composition towards a target level is further obtained from survey evidence in developed as well as emerging countries (Graham and Harvey, 2001; Nor et al., 2011). The argument for longer structures is derived from managers avoiding unfavorable terms during the periods of uncertainty caused by economic shocks (Antoniou et al., 2006; Mallisa and Kusuma, 2017; Abdul Hadi et al., 2018b).

The impact of family-related directors on debt maturity structures is based on the role of directors' independence and effective boards as part of a mechanism for corporate governance. This is due to the findings in the literature whereby differing monitoring mechanisms exhibit a trade-off (Agrawal and Knoeber, 2001; Booth et al., 2002; Haniffa and Hudaib, 2006). The Malaysian capital market provides a unique opportunity to examine these trade-offs given the readily available relationship-based economic system (Rajan and Zingales, 1998; Nor et al., 2012; Haron, 2017). In view of the above, the authors aim to evaluate the substitution effect between FRDs and debt maturity where these directors provide an alternative internal monitoring mechanism, which gives an interesting insight in the debt maturity puzzle.

The study thus aims to analyze the debt maturity structure based on the presence of FRDs, which is derived from the literature on the role of short-term debt in reducing agency costs (Myers, 1977). The proposed model of this study measures the impact of FRDs on debt maturity structures whilst controlling for known determinants (Haron and Ibrahim, 2012; Haron, 2014). The results from the empirical analysis show that firms with FRDs tend to rely on longer debt maturity structures. The findings indicate a substitution effect where firms with FRDs tend to place a larger reliance on long-term debt structures in order to resolve potential liquidity problems as these firms face difficulty in raising equity financing (Chu et al., 2016). In addition, the increased reliance on longer maturity structures is also a result of the potentially reduced agency due to lower moral hazard problems as well as lower cost of monitoring arising from the presence of FRDs (Chrisman et

al., 2003; Barth et al., 2005; Liew et al., 2017). Long-term relationships within family members allow for greater effectiveness while monitoring the managerial actions (DeAngelo and DeAngelo, 1985; Basco and Voordeckers, 2015). Furthermore, family firms are also keen to reduce their tax liability, which in theory favor controlling shareholders (Orman and Koksal, 2017). In addition, the authors find that firms with the presence of FRDs have lower bankruptcy costs. The evidence further shows that FRD firms are more likely to increase reliance on short-term debt in the event of share price undervaluation, which provides a credible signal to the market and thus reduces information asymmetry.

This paper is thus organized as follows: The next section provides a brief literature review, which motivates the study, followed by a section on the methodology that details the empirical model. Following on, the study provides a definition of variables utilized on the model whilst describing the data. Next, the study reports the results from the empirical model and discusses the findings. The final section of the paper ends with a conclusion.

Literature Review

The authors discuss the relevant literature of the two separate notions in the paper in the following sections. The first stems from the debt maturity puzzle whilst and the second look at the governance issues surrounding the presence of FRDs on boards. Given the background of these two notions, the study thus aims to examine the impact of FRDs on the maturity structure of debt.

Debt Maturity Structures

There are four main explanations for differing debt maturities in the literature. These are the views derived from the impact on agency problems, managing liquidity, tax liabilities as well as the signaling theory explanation (Ravid, 1996).

The first stems from the work of Myers (1977) who argued that short-term borrowing reduces the moral hazard problem arising from agency conflicts. This is given that constant renewal of debt contracts to finance growth mitigates the underinvestment problem (Barnea et al., 1980; Orman and Koksal, 2017). Thus, the firm value increases as a result of debt being priced based on growth options (Hussain, 2014). The use of short-term borrowing further limits the possibility of substitution of assets by managers and thus reduces the probability of risk shifting (Buus, 2014; Natocheeva et al., 2017). Shareholders would thus have lower incentives to accept a higher risk profile (Shawtari et al., 2016; Hernández-Cánovas et al., 2016). The second potential explanation has offered in the literature for debt maturity structures is based on the views that firms are balancing the need for liquidity versus the potentially lower costs of debt as a result of improved debt ratings while opting for short-term debt (Malinic et al., 2013; Brick and Liao, 2017; Sufian and Kamarudin, 2014; Kamarudin et al., 2018).

The third view on debt maturity choices is derived from managers trading-off the potential benefit from borrowing in the long term via tax shields afforded by debt relative to the costs of raising debt capital which is then expensed in the long-run (Kane et al., 1985; Brick and Ravid, 1985; Khalaf, 2017). In the event that the tax benefit outweighs the flotation costs, managers prefer a longer debt maturity structure (Lewis, 1990). The fourth explanation offered in the literature for the debt maturity puzzle is based on the view that quality firms prefer to rely on short-term debt as long-term borrowing is attached to a higher premium (Pontoh, 2017). Contrastingly, low-quality firms have the incentive to opt for long-term debt given that they are able to obtain a lower premium relative to short-term borrowing given their riskiness (Khaw and Lee, 2016). Both opposing predictions are centered on firms working towards lowering flotation and transaction costs (Flannery, 1986). The empirical model has applied in this study controls for these known determinants whilst taking into account the presence of FRDs on boards.

Family Related Directors

The existing literature shows that family-controlled firms are as prevalent as public listed companies across the world (La Porta et al., 1999; Claessens et al., 2000; Faccio and Lang, 2002). Several studies document that family firms tend to have lower agency problems given the incentive to ensure survival and protection of the company relative to other shareholders (Chrisman et al., 2003; Croci et al., 2011). In addition, it can be further argued that large block ownership by families allow family members to participate in boards, which provides a greater presence of insiders, hence reducing the monitoring costs (Abdullah et al., 2015; Amin Noordin et al., 2016). Furthermore, family members will be privy to business knowledge and experience that is passed on and not available to outsiders (Andres, 2008; Madison et al., 2016). Lower cost of monitoring leading to more effective monitoring also arises as a consequence of long-term relationships among board members where FRDs are present given the potential development of positive values such as trust, loyalty and altruism (DeAngelo and DeAngelo, 1985; Barth et al., 2005; Miller et al., 2014).

Presence of family control could, however, lead to some drawbacks. The first arises from potential entrenched managers due to lack of check and balance, leading to increased overconsumption of perks by FRDs (Pindado and Riquejo, 2015). In addition, firms which are controlled by families tend to appoint family members to executive positions, which are a commonplace in publicly listed firms in Malaysia (Chrisman et al., 2003; Goh and Rasli, 2014; Yoong et al., 2015). The study is thus motivated to evaluate the potential conflicts between controlling and minority shareholders who possess control rights, which are far greater than their cash flow rights. The authors capture the potential for expropriation by families through tunneling of wealth in their empirical model (Shyu and Lee, 2009). Thus, for the purpose of this study, directors who have an immediate family relationship

with the owners and executive offers are considered as FRDs. Our approach is in-line with our empirical priors (Anderson and Reeb, 2003; Ng et al., 2015).

Variables

Data from pre-2001 is not included in the study given the introduction of the Malaysian Code of Corporate Governance (MCCG) in 2000. In order to maximize the observations for the period of 2001 – 2017, the study utilizes the unbalanced panel data approach, which further improves the inferences from the empirical model to evaluate the relationship between FRD and debt maturity (Alaeddin et al., 2018). This approach also mitigates the problem of unobservable or missing variables from the model (Zainudin et al., 2017a). Our definition of variables utilized is derived from the literature and captured in table 1 (Deesomsak et al., 2009; Malinic et al., 2013).

Table 1. Variables Utilized in the Empirical Model

Variable	Definition
DM	Long-term debt scaled by total debt
FRD	A dummy variable which takes the value of 1 if a firm has a minimum of 2 members on board which are related
LEVERAGE	The ratio of total debt to total debt plus MV of equity and BV of preference shares
SIZE	Natural logarithm of total assets
GROWTH	Total assets plus the market value of equity less book value of equity divided by total assets
VOLATILITY	Absolute value of {[EBITt - EBITt-1]/EBITt-1} minus average of {[EBITt - EBITt-1]/EBITt-1
LIQUIDITY	The ratio of current assets to current liabilities
PROFITABILITY	The ratio of EBIT to total assets
SPP	The ratio of annual changes in share prices
MATURITY	The ratio of fixed assets to total assets
QUALITY	Altman's Z-Score

Empirical Model

The study models debt maturity as:

$$DM_{it} = \alpha_0 + \beta_1 FRD_{it} + \gamma [CONTROL\ VARIABLES] + \varepsilon_{it} \qquad (1)$$

POLISH JOURNAL OF MANAGEMENT STUDIES
Hussain H.I., Abidin I.S.Z., Ali A., Kamarudin F.

2018
Vol.18 No.2

Where the DM_{it} is the dependent variable and measures the debt maturity for i^{th} firm at time t, α_0 is the constant for the linear regression model and $\beta_1 FRD_{it}$ is a dummy variable, which takes the value of 1 when firms have 2 or more family members on boards and zero otherwise. The rest of the variables are known determinants of debt maturity derived from the literature to control for firm specific characteristics (Mallisa and Kusuma, 2017; Hussain et al., 2018b). In order to capture the impact of the presence of FRD on each particular variable, the dummy variable has further interacted with each explanatory variable as follows (Hussain et al., 2018c):

$$DM_{it} = \alpha_0 + \beta_1 FRD + \gamma[CONTROL\ VARIABLES + CONTROL\ VARIABLES \times FRD] + \varepsilon_{it} \qquad (2)$$

Data

In order to maximize the sample size, the authors derive their sample from all available firms from Datastream for the period of 2001–2017. The sample includes dead firms in order to eliminate survivorship bias. In line with our empirical priors, the authors exclude financial firms whereas firm years with missing data are eliminated from the sample (Zainudin et al., 2017b). In order to reduce the impact of outliers, the authors wins rise the data by eliminating extreme values in the 1st and 99th percentile. The study further eliminates observations with missing data. The sample of Malaysian firms includes 9 industry dummies as there are 10 industry classifications, (construction, consumer products, hotels, infrastructure, industrial products, mining, plantations, properties, technology and trading/ services) as well as time dummies. Finally, we are left with 838 firms with 9,689 firm-year observations. The study reports the mean values for variable utilized in the study in table 2.

Table 2. Comparison of Variables for FRD and Non-FRD Firms

Variable	DM	LEVERAGE	SIZE	GROWTH	VOLATILITY
FRD Firms	0.3628	0.2936	18.2893	2.3436	2.6580
Non-FRD Firms	0.2436	0.2208	19.3608	1.6805	3.2609
T-values (absolute)	3.68***	4.64***	1.24	1.99**	6.31***
Variable	LIQUIDITY	PROFITABILITY	SPP	MATURITY	QUALITY

FRD Firms	1.8244	0.1124	0.1629	0.3826	2.4361
Non-FRD Firms	1.5316	0.0693	0.1023	0.3918	2.0834
T-values (absolute)	2.93***	4.05***	5.31***	0.91	2.04**
Significance levels of difference are denoted as *, ** and *** for 10%, 5% and 1% level, respectively					

The table above compares mean values for firms with FRD and firms without FRD. In line with the expectations, the study finds that firms with FRD tend to opt for longer maturity structures. Family firms also tend to have higher levels of leverage, growth potential, liquidity and profitability. Non-family firms, on the other hand, tend to have greater levels of earnings volatility and tend to have better share price performance. Family firms tend to have been of higher quality given their greater Z-scores which is based on the reduced potential for asset substitution expected in family firms.

Results

In order to capture the impact of FRD on debt maturity, which is the main objective of this paper the authors report the results of regressing equation 1 in the first column of table 3.

Table 3. Debt Maturity and Family Related Directors

	OLS	**FIXED EFFECTS**	**RANDOM EFFECTS**
CONSTANT	-0.1893***	-0.0516***	-0.0963***
	(0.0306)	(0.0142)	(0.0382)
FRD	0.0813***	0.1025***	0.0931***
	(0.0264)	(0.0285)	(0.0320)
LEVERAGE	0.1196***	0.0956***	0.1293***
	(0.0251)	(0.0225)	(0.0321)
SIZE	0.1026***	0.0815***	0.0928***
	(0.0361)	(0.0261)	(0.0324)
GROWTH	0.0099	0.0105	0.0088
	(0.0289)	(0.0305)	(0.0257)
VOLATILITY	0.0121	0.0105	0.0116
	(0.0215)	(0.0196)	(0.0208)
LIQUIDITY	0.0523***	0.0488***	0.0511***
	(0.0126)	(0.0099)	(0.0115)
PROFITABILITY	0.1628***	0.1522***	0.1596***
	(0.0426)	(0.0385)	(0.0402)
SPP	0.0324	0.0262	0.0281
	(0.0296)	(0.0213)	(0.0242)

POLISH JOURNAL OF MANAGEMENT STUDIES
Hussain H.I., Abidin I.S.Z., Ali A., Kamarudin F.

2018
Vol.18 No.2

MATURITY	0.4208***	0.3861***	0.4181***
	(0.1255)	(0.1131)	(0.1185)
QUALITY	0.0328	0.0209	0.0265
	(0.0461)	(0.0408)	(0.0436)
Time Dummies	Yes	Yes	Yes
Industry Dummies	Yes	Yes	Yes
Adjusted R^2	0.1826	0.3206	0.2651
Wald test (p-values)	0.00	0.00	0.00
LM	624.38***	-	-
HAUSMAN TEST	-	63.24***	
Significance levels of difference are denoted as *, ** and *** for 10%, 5% and 1% level, respectively			

The estimations are based on the OLS method, which includes time and industry dummies that are not reported. The study reports robust standard errors in parenthesis (White, 1980). In line with the literature, the study documents that for Malaysian firms, debt and size have a positive coefficient supporting the liquidity and agency cost reduction argument. Furthermore, the market-to-book ratio, as well as earnings, volatility are not significant given that Malaysian firms face tending to have low costs of bankruptcy as well as concentrated levels of ownership (Deesomsak et al., 2009). The results further confirm the theoretical predictions whereby liquidity, profitability, asset maturity and firm quality also have a positive correlation with debt maturity structures (Orman and Koksal, 2017; Mimouni et al., 2019). In addition, share prices do not influence debt maturity (Deesomsak et al., 2009). In line with expectations based on our empirical priors, the study finds that the main variable of interest, FRD is positive indicating that family firms tend to opt for longer debt maturity ratios (Hillier et al., 2018). This further confirms the univariate comparison from table 2.

The initial results, which are obtained from the OLS approach tends to be biased given endogeneity issues between debt maturity and the independent variables given that debt maturity and the FRD variable tend to be jointly determined by variables, which are not present in the model. Biasness of results is evident from the Lagrange Multiplier, which is significant at the 1% level and thus indicates a significant difference across firms (Torres-Reyna, 2007). Thus, the data of the study suffers from a panel effect. To overcome these econometric issues, the authors utilize the fixed and random effects approach as an additional measure of robustness, which is reported in columns 2 and 3. The results documented are based on standard errors, which are clustered based on the time as well as an individual firm dimension (Thompson, 2011). This approach provides econometric gains over utilizing White (1980) or Rogers (1993) standard errors (Petersen, 2009). The diagnostics indicate that the fixed effect model is favored over the

random effect model as evidenced by the significance of the Hausman test (Torres-Reyna, 2007). The results do not differ qualitatively where the FRD variable remains significant.

In line with our objective of evaluating the impact of FRD on debt maturity whilst accounting for firms' specific characteristics, the authors interact the dummy variable with the control variables (as per equation 2). The results are reported in table 4 for the OLS, fixed effects and random effect regressions.

Table 4. The Impact of FRD on Debt Maturity based on Firms Specific Factors

	OLS	FIXED EFFECTS	RANDOM EFFECTS
CONSTANT	-0.1242***	-0.0311***	-0.0591***
	(0.0281)	(0.0081)	(0.0165)
FRD	0.0452***	0.0384***	0.0416***
	(0.0124)	(0.0062)	(0.0085)
LEVERAGE	0.0925***	0.0737***	0.0861***
	(0.0163)	(0.0124)	(0.0148)
FRD x LEVERAGE	0.0323***	0.0243***	0.0305***
	(0.0085)	(0.0056)	(0.0067)
SIZE	0.1287***	0.1124***	0.1231***
	(0.0437))	(0.0265)	(0.0324)
FRD x SIZE	-0.0325***	-0.0286***	-0.0295***
	(0.0106)	(0.0052)	(0.0063)
GROWTH	0.0062	0.0085	0.0724
	(0.1025)	(0.1426)	(0.1336)
FRD x GROWTH	0.1025	0.0925	0.0993
	(0.0926)	(0.0829)	(0.0882)
VOLATILITY	0.0025	0.0018	0.0022
	(0.0306)	(0.0281)	(0.0293)
FRD x VOLATILITY	0.0112***	0.0095***	0.0106***
	(0.0037)	(0.0026)	(0.0032)
LIQUIDITY	0.0327***	0.0265***	0.0293***
	(0.0084)	(0.0051)	(0.0072)
FRD x LIQUIDITY	0.0364***	0.0291***	0.0323***
	(0.0092)	(0.0060)	(0.0075)
PROFITABILITY	0.1251***	0.0957***	0.1128***
	(0.0392)	(0.0252)	(0.0325)

POLISH JOURNAL OF MANAGEMENT STUDIES
Hussain H.I., Abidin I.S.Z., Ali A., Kamarudin F.

2018
Vol.18 No.2

FRD x PROFITABILITY	0.0684***	0.0561***	0.0625***
	(0.0166)	(0.0135)	(0.0142)
SPP	0.0125	0.0082	0.093
	(0.0651)	(0.0522)	(0.0565)
FRD x SPP	0.0275**	0.0245**	0.0254**
	(0.0131)	(0.0121)	(0.0123)
MATURITY	0.4133***	0.3525***	0.3736***
	(0.0962)	(0.0862)	(0.0921)
FRD x MATURITY	0.0125	0.0251	0.0184
	(0.1629)	(0.1422)	(0.1527)
QUALITY	0.0212	0.0152	0.0193
	(0.1365)	(0.0857)	(0.1136)
FRD x QUALITY	0.0092	0.0062	0.0075
	(0.0355)	(0.0426)	(0.0389)
Time Dummies	Yes	Yes	Yes
Industry Dummies	Yes	Yes	Yes
Adjusted R^2	0.2451	0.3623	0.3311
Wald test (p-values)	0.00	0.00	0.00
LM	582.18***	-	-
HAUSMAN TEST	-	52.45***	

Significance levels of difference are denoted as *, ** and *** for 10%, 5% and 1% level, respectively

The diagnostics reported in table 4 allow us to similarly conclude that OLS regressions suffer from panel bias and thus are not suitable. In addition, the fixed effect method is preferred over the random effect approach. The results show that the interaction with leverage is significantly positive whilst the term with size is negatively significant. The findings concur with the literature where family firms opt for longer-term borrowing in order to mitigate potential liquidity risks (Díaz-Díaz et al., 2016). In addition, non-FRD firms tend to face greater levels of moral hazard. Growth opportunity remains insignificant. Interestingly, the interaction term with earnings volatility is significantly indicating that family firms tend to have lower levels of bankruptcy. The findings highlight the potential for asset substitution effect amongst non-family firms (Haniffa and Cooke, 2002; Croci et al., 2011).

The study further documents that the interaction terms for measuring liquidity and profitability are also positively implying that family firms tend to favor longer maturity structures in order to reduce the probability for cash shortages as well as bankruptcy costs. This concurs with the results in Ben-Nasr (2015) where

2018
Vol.18 No.2

POLISH JOURNAL OF MANAGEMENT STUDIES
Hussain H.I., Abidin I.S.Z., Ali A., Kamarudin F.

ownership concentration amongst French firms amongst families leads to longer debt maturity structures. In addition, family firms are also reducing their tax obligations by lengthening maturity structures. Interestingly, the authors find that the interaction term with share price performance is positive. The finding indicates that family firms are willing to shorten maturity structures during periods of declining shares in order to send signals to the market. They are further keen to capture gains to shareholders' wealth during periods of increasing share prices by opting for long-term borrowing. A possible explanation for this observation is offered by Jain and Shao (2015) where family firms are unlikely to resort to external sources of equity financing given the desire to prevent dilution of ownership and control. The results further indicate that family firms are not influenced by the asset maturity and firm quality while deciding on maturity structure of debt. It is quite plausible that these firms tend to have higher asset quality and thus maturity of debt is influenced by the probability of bankruptcy (Chen et al., 2014).

Conclusions

The authors utilize a set of unbalanced panel data from Malaysia in order to capture the impact of the presence of FRDs on debt maturity structures. Firms with 2 or more family related members on board of directors are categorized as family firms for the purpose of this study. The study is able to draw several conclusions from the empirical findings. The analysis allows us to conclude that family firms tend to opt for longer debt maturity structures. This suggests that family firms are less likely to rely on short-term debt as a disciplining tool and the results tend to concur with the liquidity explanation offered in the literature. Presence of family insiders on boards is likely to reduce agency problems and thus a substitution effect is observed. The presence of family insiders on boards also thus leads to the reduced potential for managerialism and other agency conflicts at the expense of shareholders. Thus, non-family firms would opt for short-term debt as a disciplining tool to reduce agency problems. In addition, the study finds that family firms are inclined to be more concerned with managing liquidity requirements and are likely to have lower bankruptcy costs given that the likelihood of asset substitution is reduced. Thus, it is likely that family firms would have higher quality assets and thus be less reliant on an external source of financing as these assets would tend to generate greater levels of cash flows. Therefore, managers of non-family firms who are more likely to resort to external financing are then facing greater levels of scrutiny by the capital markets. The results further indicate that family firms prefer a greater proportion of long-term borrowing in order to avoid potential cash shortages whilst attempting to reduce their tax obligations. The results are in line with theoretical expectations where family firms are likely to face difficulty in raising equity from capital markets given the potential for tunneling at the expense of minority shareholders. Family firms are further concerned with share price performance and thus likely to shorten maturity structure during periods

POLISH JOURNAL OF MANAGEMENT STUDIES
Hussain H.I., Abidin I.S.Z., Ali A., Kamarudin F.

2018
Vol.18 No.2

of declining prices and lengthen maturity structure during periods of appreciating prices given the direct impact on controlling shareholders' wealth. This further enforces the earlier observation where family firms are more likely to rely on internally generated cash flows to fund future growth and are less reliant on external equity financing. In addition, the reduction in agency problems would also likely to translate into greater potential for shareholders' wealth maximization.

References

Abdul Hadi A.R., Hussain H.I., Suryanto T., Yap T.H., 2018a, *Bank's Performance and Its Determinants – Evidence from Middle East, Indian Sub-Continent and African Banks*, "Polish Journal of Management Studies", 17(1).

Abdul Hadi A.R., Zafar S., Iqbal T., Zafar Z., Iqbal Hussain H., 2018b, *Analyzing Sectorial Level Determinants of Inward Foreign Direct Investment (FDI) in ASEAN*, "Polish Journal of Management Studies", 17(2).

Abdullah M., Evans L., Fraser I., Tsalavoutas I., 2015, *IFRS Mandatory disclosures in Malaysia: The influence of family control and the value (ir) relevance of compliance levels*, Accounting Forum, 39(4).

Agrawal A., Knoeber C.R., 2001, *Do some outside directors play a political role?,* "Journal of Law and Economics", 44(1).

Alaeddin O., Rana A., Zainudin Z., Kamarudin F., 2018, *From Physical to Digital: Investigating Consumer Behaviour of Switching to Mobile Wallet*, "Polish Journal of Management Studies", 17 (2).

Alias N., Yaacob M.H., Jaffar N., 2017, *Governance structure, corporate restructuring and performance*, "Polish Journal of Management Studies", 15(1).

Amin Noordin B.A., Kamarudin F., Mohamad Anwar N.A., 2016, *Wealth Effect and Macroeconomics Factors of a Firm's International Merger and Acquisition Exercise: Empirical Evidence from Multinational Firms,* Engineering Economics, 26(5).

Anderson R.C., Reeb D.M., 2003, *Founding-family ownership and firm performance: Evidence from the S&P 500*, "Journal of Finance", 58(3).

Andres C., 2008, *Large shareholders and firm performance - An empirical examination of founding-family ownership*, "Journal of Corporate Finance", 14(4).

Antoniou A., Guney Y., Paudyal K., 2006, *The determinants of debt maturity structure: evidence from France, Germany and the UK*, European Financial Management, 12(2).

Barnea A., Haugen R.A., Senbet L.W., 1980, *A rationale for debt maturity structure and call provisions in the agency theoretic framework*, "Journal of Finance", 35(5).

Barth E., Gulbrandsen T., Schone P., 2005, *Family ownership and productivity: The role of owner-management*, "Journal of Corporate Finance", 11(1-2).

Basco R., Voordeckers W., 2015, *The relationship between the board of directors and firm performance in private family firms: A test of the demographic versus behavioral approach*, "Journal of Management & Organization", 21(4).

Ben-Nasr H., Boubaker S., Rouatbi W., 2015, *Ownership structure, control contestability, and corporate debt maturity*, "Journal of Corporate Finance", 35.

Booth J.R., Cornett M.M., Tehranian H., 2002, *Boards of directors, ownership and regulation*, "Journal of Banking and Finance", 26.

Brick I.E., Liao R.C., 2017, *The joint determinants of cash holdings and debt maturity: the case for financial constraints*, Review of Quantitative Finance and Accounting, 48(3).

Brick I.E., Ravid S.A., 1985, *On the relevance of debt maturity structure*, "Journal of Finance", 40(5).

Buus T., 2014, *A general free cash flow theory of capital structure*, "Journal of Business Economics and Management", 16(3).

Chen T.Y., Dasgupta S., Yu Y., 2014, *Transparency and financing choices of family firms*, "Journal of Financial and Quantitative Analysis", 49(2).

Chrisman J.J., Chua J.H., Zahra S.A., 2003, *Creating wealth in family firms through managing resources: Comments and extensions*, Entrepreneurship Theory and Practice, 27(4).

Chu E.Y., Lai T.S., Song S.I., 2016, *Corporate Governance and Financial Constraints in Family Controlled Firms: Evidence from Malaysia*, "International Journal of Business and Society", 17(3).

Claessens S., Djankov S., Lang L.H.P., 2000, *The separation of ownership and control in East Asian corporations*, "Journal of Financial Economics", 58(1-2).

Croci E., Doukas J.A., Gonenc H., 2011, *Family control and financing decisions*, European Financial Management, 17(5).

DeAngelo H., DeAngelo L., 1985, *Managerial ownership of voting rights: A study of public corporations with dual classes of common stock*, "Journal of Financial Economics", 14(1).

Deesomsak R., Paudyal K., Pescetto G., 2009, *Debt maturity structure and the 1997 Asian financial crisis*, "Journal of Multinational Financial Management", 19(1).

Diamond D.W., He Z., 2014, *A theory of debt maturity: the long and short of debt overhang*, "Journal of Finance", 69(2).

Díaz-Díaz N.L., García-Teruel P.J., Martínez-Solano P., 2016, *Debt maturity structure in private firms: Does the family control matter?*, "Journal of Corporate Finance", 37.

Faccio M., Lang L.H.P., 2002, *The ultimate ownership of Western European corporations*, "Journal of Financial Economics", 65(3).

Flannery M.J, 1986, *Asymmetric information and risky debt maturity choice*, "Journal of Finance", 41(1).

Goh C.F., Rasli A., 2014, *CEO duality, board independence, corporate governance and firm performance in family firms: Evidence from the manufacturing industry in Malaysia*, Asian Business & Management, 13(4).

Graham J.R., Harvey C.R., 2001, *The theory and practice of corporate finance: Evidence from the field*, "Journal of Financial Economics", 60(2-3).

Haniffa R., Cooke T.E., 2002, *Culture, corporate governance and disclosure in Malaysian corporations*, Abacus, 38(3).

Haniffa R., Hudaib M., 2006, *Corporate governance structure and performance of Malaysia listed companies*, "Journal of Business Finance and Accounting", 33(7-8).

Haron R., 2014, *Capital structure inconclusiveness: evidence from Malaysia, Thailand and Singapore*, "International Journal of Managerial Finance", 10(1).

Haron R., 2017, *Ownership structure of family-owned firms and debt financing. Evidence on Shari'ah compliant firms in Malaysia*, Al-Shajarah, Special Issue of IIBF.

Haron R., Ibrahim K., 2012, *Target capital structure and speed of adjustment: Panel data evidence on Malaysia Shariah compliant securities*, "International Journal of Economics, Management and Accounting", 20(2).

POLISH JOURNAL OF MANAGEMENT STUDIES
Hussain H.I., Abidin I.S.Z., Ali A., Kamarudin F.

2018
Vol.18 No.2

Hernández-Cánovas G., Mínguez-Vera A., Sánchez-Vidal J., 2016, *Ownership structure and debt as corporate governance mechanisms: an empirical analysis for Spanish SMEs*, "Journal of Business Economics and Management", 17(6).

Hillier D., Martínez B., Patel P.C., Pindado J., Requejo I., 2018, *Pound of flesh? Debt contract strictness and family firms*, Entrepreneurship Theory and Practice, 42(2).

Hussain H.I., 2014, *Do Firms Time the Equity Market in a Non-Linear Manner? Evidence from the UK*, "The International Journal of Business and Finance Research", 8(4).

Hussain H.I., Hadi A.R.A., Mohamed-Isa A., Salem M.A., Kamarudin F., Jabarullah N.H., 2018b, *Adjustment to Target Debt Maturity and Equity Mispricing: Evidence from Asia Pacific*, "Polish Journal of Management Studies", 17(2).

Hussain H.I., Shamsudin M.F., Anwar N.A.M., Salem M.A., Jabarullah N.H., 2018c, *The Impact of Sharia Compliance on the Adjustment to Target Debt Maturity of Malaysian Firms*, "European Research Studies Journal", 21(1).

Hussain H.I., Shamsudin M.F., Salehuddin S., Jabarullah N.H., 2018a, *Debt Maturity and Shari'ah Compliance: Evidence from Malaysian Panel Data,* "European Research Studies Journal", 21(1).

Jain B.A., Shao Y., 2015, *Family firm governance and financial policy choices in newly public firms*, "Corporate Governance: An International Review", 23(5).

Kamarudin F., Sufian F., Nassir A.M., Anwar N.A.M., Ramli N.A., Tan K.M., Hussain H.I., 2018*, Price efficiency on Islamic banks vs. conventional banks in Bahrain, UAE, Kuwait, Oman, Qatar and Saudi Arabia: impact of country governance*, "International Journal of Monetary Economics and Finance", 11(4).

Kane A., Marcus A.J., McDonald R.L., 1985, *Debt policy and the rate of return premium to leverage*, "Journal of Financial and Quantitative Analysis", 20(4).

Khalaf B.K.A., 2017, *Empirical Investigation of Symmetric and Asymmetric Target Adjustment Models: Capital Structure of Non-Financial Firms in Jordan*, "International Journal of Economics and Finance", 9(3).

Khaw K.L.H., Lee B.C.J., 2016, *Debt Maturity, Underinvestment Problem and Corporate Value*, "Asian Academy of Management Journal of Accounting and Finance", 12(1).

Kraus A., 1973, *The bond refunding decision in an efficient market,* "Journal of Financial and Quantitative Analysis", 8(5).

La Porta R., Lopez-De-Silanes F., Shleifer A., 1999, *Corporate ownership around the world*, "Journal of Finance", 54(2).

Lewis C.M., 1990, *A multi-period theory of corporate financial policy under taxation,* "Journal of Financial and Quantitative Analysis", 25(1).

Liew C.Y., Alfan E., Devi S., 2017, *Family firms, expropriation and firm value: Evidence of the role of independent directors' tenure in Malaysia*, "International Journal of Organizational Leadership", 6(1).

Madison K., Holt D.T., Kellermanns F.W., Ranft A.L., 2016, *Viewing family firm behavior and governance through the lens of agency and stewardship theories*, Family Business Review, 29(1).

Malinic D., Dencic-Mihajlov K., Ljubenovic E., 2013, *The determinants of capital structure in emerging capital markets: Evidence from Serbia*, "European Research Studies Journal", 16(2).

Mallisa M., Kusuma H., 2017, *Capital structure determinants and firms' performance: empirical evidence from Thailand, Indonesia and Malaysia,* "Polish Journal of Management Studies", 16(1).

2018
Vol.18 No.2

POLISH JOURNAL OF MANAGEMENT STUDIES
Hussain H.I., Abidin I.S.Z., Ali A., Kamarudin F.

Miller D., Le Breton-Miller I., Minichilli A., Corbetta G., Pittino D., 2014, *When do Non‑Family CEOs Outperform in Family Firms? Agency and Behavioural Agency Perspectives*, "Journal of Management Studies", 51(4).

Mimouni K., Temimi A., Goaied M., Zeitun R., 2019, *The Impact of Liquidity on Debt Maturity after a Financial Crisis: Evidence from the GCC Region*, Emerging Markets Finance and Trade, 55(1).

Modigliani F., Miller M., 1958, *The Cost of Capital, Corporation Finance and the Theory of Investment,* American Economic Review, 48.

Morris J.R., 1976, *On corporate debt maturity strategies,* "Journal of Finance", 31(1).

Myers S.C., 1977, *Determinants of corporate borrowing,* "Journal of Financial Economics", 5(2).

Natocheeva N.N., Rovensky Y.A., Belyanchikova T.V., Rusanov Y.Y., 2017, *The Diversification of Banking Capital Sources and Cash Flow Granularity in Merger and Acquisition Transactions*, "European Research Studies Journal", 20(4A).

Ng S.H., Ong T.S., Teh B.H., Soh W.N., 2015, *How is firm performance related to family ownership in Malaysia and does board independence moderate the relationship?,* Corporate Board: Role, Duties and Composition, 11(2).

Nor F.M., Haron R., Ibrahim K., Ibrahim I., Alias N., 2011, *Determinants of target capital structure: Evidence on South East Asia countries,* "Journal of Business and Policy Research", 6(3).

Nor F.M., Ibrahim K., Haron R., Ibrahim I., Alias M.A., 2012, *Practices of capital structure decisions: Malaysia survey evidence*, International Review of Business Research Papers", 8(1).

Orman C., Köksal B., 2017, *Debt maturity across firm types: Evidence from a major developing economy*, Emerging Markets Review, 30.

Petersen M.A., 2009, *Estimating standard errors in finance panel data sets: Comparing approaches*, Review of Financial Studies, 22(1).

Pindado J., Requejo I., 2015, *Family business performance from a governance perspective: A review of empirical research*, "International Journal of Management Reviews", 17(3).

Pontoh W., 2017, *The Capital Structure: Is Debt just a Policy or Requirement?,* "European Research Studies Journal", 20(2).

Rajan R.G., Zingales L., 1998, *Which capitalism? Lessons from the East Asian crisis*, "Journal of Applied Corporate Finance", 11(3).

Ravid S., 1996, *Debt Maturity: A Survey*, Financial Markets, Institutions and Instruments, 5.

Rogers W., 1993, *Regression Standard Errors in Clustered Samples*, Stata Technical Bulletin, 13.

Scherr F., Hulburt H., 2001, *The Debt Maturity Structure of Small Firms,* Financial Management, 30.

Shawtari F.A., Salem M.A., Hussain H.I., Alaeddin O., Thabit O.B., 2016, *Corporate governance characteristics and valuation: Inferences from quantile regression*, "Journal of Economics, Finance and Administrative Science", 21(41).

Shyu Y.W., Lee C.I., 2009, *Excess control rights and debt maturity structure in family‑controlled firms*, Corporate Governance: An International Review, 17(5).

Sufian F., Kamarudin F., 2014, *The impact of ownership structure on bank productivity and efficiency: Evidence from semi-parametric Malmquist Productivity Index*, Cogent Economics & Finance, 2(1).

Thompson S.B., 2011, *Simple formulas for standard errors that cluster by both firm and time*, "Journal of Financial Economics", 99(1).

Torres-Reyna O., 2007, *Panel data analysis fixed and random effects using Stata*, Data & Statistical Services, Princeton University.

Waluyo W., 2018, *Do Efficiency of Taxes, Profitability and Size of Companies affect Debt? A Study of Companies Listed in the Indonesian Stock Exchange*, "European Research Studies Journal", 21(1).

White H., 1980, *A heteroskedasticity-consistent covariance matrix estimator and a direct test for heteroskedasticity*, Econometrica, 48.

Yoong L.C., Alfan E., Devi S.S., 2015, *Family firms, expropriation and firm value: Evidence from related party transactions in Malaysia*, "Journal of Developing Areas", 49(5).

Zainudin Z., Ibrahim I., Hussain H.I., Hadi A.R.A., 2017a, *Debt and Financial Performance of REITs in Malaysia: An Optimal Debt Threshold Analysis*, "Jurnal Ekonomi Malaysia", 51(2).

Zainudin Z., Ibrahim I., Said R.M., Hussain H. I., 2017b, *Debt and Financial Performance of Reits In Malaysia: A Moderating Effect of Financial Flexibility*, "Jurnal Pengurusan (UKM Journal of Management)", 50.

ZAPADALNOŚĆ ZADŁUŻENIA I DYREKTORZY ZWIĄZANI Z RODZINĄ: DOWODY Z ROZWIJAJACEGO SIĘ RYNKU

Streszczenie: W niniejszym artykule przeanalizowano strukturę zapadalności długu malezyjskich firm w oparciu o obecność dyrektorów rodzinnych (FRD) w zarządach. Motywacja pochodzi z literatury poświęconej składom zarządów, która podkreśla reformy, które miały miejsce od lat w celu zapewnienia odpowiednich mechanizmów zarządzania. Konsekwentnie, zapadalność długu jest również powiązana z obniżeniem kosztów pośrednictwa, w wyniku czego firmy o pożyczkach krótkoterminowych będą podlegać większemu monitorowaniu na rynkach. Ponadto zmniejsza to asymetrię informacji. W związku z tym, w artykule dokonano oceny skuteczności FRD w łagodzeniu problemu agencji poprzez zbadanie zysku takiej obecności w strukturach dojrzałości długu. Badanie wykazało, że firmy z obecnością FRD wybierają dłuższe struktury dojrzałości. Wskazuje to na efekt substytucyjny, w którym firmy z FRD nie będą polegać na pożyczkach krótkoterminowych jako mechanizmie zmniejszającym problemy agencji. Wyniki badania są dalej potwierdzane, ponieważ obecność FRD nie jest uzasadniona przez firmy, które dopasowują strategię aktywów do zobowiązań. Firmy te również wybierają długoterminowe pożyczki, aby złagodzić potencjalne problemy z płynnością. Badanie to dokumentuje również, że firmy te ponoszą niższe koszty bankructwa. Co ciekawe, autorzy dokumentują również, że FRD opowiadają się za przedłużeniem struktur zapadalności w okresach wzrostu cen akcji, wskazując, że kontrola członków rodziny ma tendencję do uwzględniania maksymalizacji zamożności akcjonariuszy. Stwierdzenie jest słuszne, biorąc pod uwagę, że większość firm z FRD ma również znaczny udział rodzinny w strukturze własności.

Słowa kluczowe: zapadalność zadłużenia, struktura kapitałowa, dyrektorzy rodzinni, skład zarządu, ład korporacyjny, firmy rodzinne.

债务成熟度和家庭相关董事:来自发展中市场的证据

摘要:本文根据董事会中与家庭相关的董事(FRD)的存在,考察了马来西亚公司的债务期限结构。这一动机来自董事会组成文献,该文献强调了多年来为确保适当的治理机制而进行的改革。相反,债务期限也与代理成本的减少有关,因此短期借款的公司将受到市场更高水平的监管。此外,这减少了信息不对称。因此,本文通过研究债务期限结构中存在这种存在的权衡来评估FRD在缓解代理问题方面的有效性。该研究发现,存在FRD的公司倾向于选择更长的成熟度结构。这些指向取代效应的地方,那些拥有FRD的公司不会依赖短期借款作为减少代理问题的机制。鉴于FRD的存在不是由匹配资产与负债策略的公司推动的,因此该研究的结果得到进一步验证。然而,这些公司也选择长期借款以减轻潜在的流动性问题。该研究进一步证明,这些公司面临较低的破产成本。有趣的是,作者还记录了FRD选择在股价上涨期间延长期限结构,表明家族成员的控制倾向于考虑股东的财富最大化。这一发现是有效的,因为大多数FRD公司也倾向于拥有家庭的重要所有权。

关键词:债务期限,资本结构,家族相关董事,董事会构成,公司治理,家族企业