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DO RELATED PARTY TRANSACTIONS AFFECT FIRM VALUE?

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***Abstract*:** *Using panel data of 24 firms in the Indonesian property and real estate sector from 2019 to 2023, this study investigates the impact of related party transactions on firm value by emphasizing the influence of firm size and family ownership. Tobin's Q was used in the analyses to measure firm value, with leverage, profitability, and liquidity as control variables. Empirical evidence demonstrates that related party receivables have a significant negative effect on firm value, thus confirming the agency theory. Related party payables, on the other hand, have a positive correlation with firm value, showing the potential as an internal financing mechanism and giving a good signal to the market. Furthermore, firm size has been shown to mitigate the adverse impacts of accounts receivable while magnifying the beneficial effects of accounts payable. Although family-owned businesses extract greater value from accounts payable than non-family-owned enterprises, there is no distinction in accounts receivable between the two. Nonetheless, this study shows that related party transactions are not necessarily harmful for companies. These findings are important for business management, regulators, and investors seeking to consider related party transactions that can increase firm value.*

Keywords: Firm Value, Related Party Transactions, Family Ownership, Firm Size

INTRODUCTION

Due to their impact on firm value and financial transparency, related party transactions (RPTs) have been studied more thoroughly in the existing literature on accounting and finance. Excessive RPTs have been reported to show the potential to distort reported earnings, conceal actual financial situations, and reduce the validity of financial statements (Cheung et al., 2006). Consequently, RPTs may lower firm value if investors perceive them as indicating poor governance or increased information asymmetry (Berkman et al., 2009). Such risk is more noticeable in developing countries, such as Indonesia, where regulations on investor protection and transparency may not be strictly enforced.

The impact of related party transactions on firm value due to existing conflicts of interest between principals and agents is explained in the agency theory (Jensen & Meckling, 1976), which suggests that investors may view related party transactions as self-serving actions that lower firm value. In emerging markets with less developed corporate governance mechanisms, such agency conflicts can be exacerbated by related party transactions, particularly if transparency and disclosure practices are deficient (Dou et al., 2022).

The relationship between related party transactions and firm value can be explained further through the signaling theory, which focuses on decision-making and communication based on observable signals (Connelly et al., 2024). According to this theory, firms may use financial and operational decisions, including RPTs, to convey information about their quality or performance. In this regard, transparent, equitable, and strategically aligned related-party transactions can signal strong managerial trust and corporate governance, which will ultimately increase firm value. Conversely, non-transparent or excessive RPTs can send warning signals that indicate potential governance problems, which undermine investor confidence and negatively impact firm value (Li et al., 2022).

Depending on the adopted perspective, related party receivables—which include loans or short-term credit given to businesses or individuals closely affiliated with the firm—may be interpreted differently. Related party receivables are often considered value-decreasing because of their association with tunneling, diminished liquidity, and lower earnings performance. Empirical studies from Indonesia have indicated that related party receivables correlate with poorer company performance and adverse stock returns upon disclosure (Wulandari et al., 2022; Santosa et al., 2023).

Related party payables, on the other hand, refer to a firm's liabilities to its affiliates, i.e., its parent company, subsidiaries, and principal shareholders. In practice, these payables may be executed in two distinct methods. Additionally, they may provide flexible financing since related entities can have more lenient payment terms than banks or other creditors (Cheung et al., 2006). This can help a business maintain healthy cash flow and ensure its effective operations. However, relevant studies conducted in emerging economies have reported that related party payables may also make it possible to reallocate resources among company groups in a way that does not necessarily enhance overall firm value (Hendratama & Barokah, 2020).

Indonesia's property and real estate sector offers invaluable information for understanding related party transactions. Companies operating within this industry are often family-owned, since the operations require substantial resources. For these companies, related party receivables can stimulate long-term investment processes and support cash flow management, while related party payables can improve financial flexibility. Both approaches, however, are highly susceptible to dependency and unequal wealth distribution. Consequently, it remains unclear whether related party transactions will increase or lower company value in this context.

This study aims to explore how related party transactions (RPTs) affect firm value by using Tobin's Q as a market-based indicator of valuation. In this study, RPTs are specifically divided into two types: related party receivables and related party payables. The analysis examines the effects of each type of RPTs on firm value while also considering how important financial factors (profitability, leverage, and liquidity), as well as firm size, influence these effects. Using panel data from publicly listed property and real estate companies in Indonesia between 2019 and 2023, this study provides a comprehensive analysis of the relationship between related party transactions and firm value in emerging markets.

The novelty of this study is that it combines various perspectives that have not been explored previously. To cover both the operational and financing aspects of related party transactions, this study distinguishes between related party receivables and related party payables. The analysis also includes firm size as a moderating variable and debt-to-equity ratio (DER), return on assets (ROA), and current ratio (CR) as control variables, thereby deepening the understanding of how related party transactions (RPTs) interact with firm characteristics to affect firm value. This study uses a sample of 24 firms, comprising seven family-owned businesses and 17 non-family-owned enterprises, allowing for a comparative analysis of ownership structures. A firm is classified as family-owned when the founding family members hold a substantial share of ownership or occupy important managerial or board roles, thus exercising effective control. Unlike prior research, this study simultaneously investigates the dual roles of firm size and family ownership in moderating the effects of related party receivables and payables on firm value within the context of an emerging market.

THEORETICAL FRAMEWORK AND HYPOTHESES

The agency theory holds that debt can serve as a mechanism to exert external control over managers by restricting free cash flow and demanding interest payments (Jensen & Meckling, 1976). This monitoring role of debt can make a company more valuable. However, excessive leverage increases the risk and likelihood of financial failure, particularly in industries like property and real estate that require large sums of money (Fosu et al., 2016). According to the resource dependence theory, companies may need to seek external funding to help them grow, especially when they are short on cash. This is relevant to the conceptual model since leverage measures a firm's dependence on external financing, which may influence how related-party transactions affect firm value. The signaling theory, however, suggests that high leverage may give investors a negative signal that indicates financial instability, particularly when the firm's debt load is not commensurate with its potential for profits. While modest leverage can increase firm value by providing discipline and access to resources, excessive leverage tends to have the opposite effect (Abigail & Dharmastuti, 2022).

Return on Assets (ROA) is a profitability metric that indicates a company's efficiency in generating revenue from its assets (Ferriswara et al., 2022). According to the agency theory, managers of more profitable companies have less freedom to act in their own interests because they must align with those of shareholders.

Profitability is a crucial internal resource that helps a company become more independent and flexible in implementing its strategies, reducing the need for external funds (Halim, 2024). Furthermore, the signaling theory states that high profitability gives a signal to investors that the company has good management and is financially healthy, which will ultimately improve its reputation and value (Hendratama & Barokah, 2020).

Liquidity reflects how well a company can fulfil its short-term obligations, which is a sign of financial health (Wang et al., 2025). Within the context of the agency theory, high liquidity can lower agency costs because it reduces the likelihood that the company will experience financial distress or that the management will prioritize short-term goals. Chia et al. (2020) highlight that liquidity is a buffer resource that helps businesses handle shocks in the environment and secure better deals with creditors and suppliers. Furthermore, the signaling theory holds that a high liquidity ratio communicates to the market that the company is financially healthy and operating responsibly. While excessive liquidity may be considered a waste of capital, existing studies have shown a positive connection between liquidity and firm value.

The effect of related party transactions on firm value is also predicted to be influenced by firm size. According to the agency theory, larger companies are more likely to be subject to external monitoring and control, which can discourage opportunistic behavior and lower agency costs (Ibhagui & Olokoyo, 2018). These companies have better access to cash, technology, and human resources, making it easier for them to strategically manage and profit from RPTs. Furthermore, the signaling theory holds that larger companies are more likely to fully disclose transactions, which reduces market skepticism and builds trust among stakeholders. Thus, firm size is likely to exert a positive influence on the relationship between RPTs and firm value by making the adverse effects of these transactions less significant and the favorable impacts more pronounced.

The Relationship between Related Party Receivables and Firm Value

According to the agency theory, related party receivables are often used by controlling shareholders to divert company resources for personal gain, entailing a tunneling risk that reduces transparency and firm value. For companies operating within the property and real estate sector, related party receivables may not serve as productive financing but rather as a channel for the transfer of resources that may undermine investor confidence (Abigail & Dharmastuti, 2022; Wulandari et al., 2022; Alsultan, 2023). Therefore, related party receivables are hypothesized to lower firm value.

H1: Related party receivables have a negative effect on firm value.

The Relationship between Related Party Payables and Firm Value

Related party payables are a company's obligation to its affiliated entities or controlling shareholders. If managed transparently, related party payables can improve liquidity and indicate a close business relationship with the company's affiliated entities, which will enhance the company's performance and ultimately increase firm value. This is in line with the signaling theory, which holds that the use of related party payables can demonstrate strong group support among businesses, thereby reassuring investors of financial stability. In capital-intensive industries, this mechanism can increase firm value (Hendratama & Barokah, 2020; Yoon & Jin, 2021; Ismail et al., 2022). Thus, the second hypothesis is proposed as follows.

H2: Related party payables have a positive effect on firm value.

The Moderating Effect of Firm Size

Firm size has a great impact on how investors perceive related party transactions. According to the agency theory, larger firms are more likely to be subject to external monitoring and control, which can discourage opportunistic behavior and lower agency costs. Furthermore, the signaling theory holds that larger enterprises tend to fully disclose transactions, which can reduce market skepticism and build trust among stakeholders. Kijkasiwat and Phuensane (2020), Santosa (2020), and Fulop (2023) have noted in their studies that bigger companies generally have larger resources, stronger governance structures, and greater market credibility. These advantages have the potential to influence how related party payables and receivables affect firm value. Therefore, the third hypotheses are proposed as follows.

H3a: Firm size weakens the negative effect of related party receivables on firm value.

H3b: Firm size strengthens the positive effect of related party payables on firm value.

Family Ownership and Non-Family Ownership

Besides firm size, the effects of related party transactions on firm value are also greatly influenced by the ownership structure. Concentrated control in family-owned businesses may exacerbate agency problems, thereby increasing the risk of financial loss (Stryckova, 2023). In addition, related party receivables are more likely to be exploited for tunneling in family-owned businesses, thus escalating agency conflicts and reducing firm value. In these companies, minority shareholders often face a greater risk of expropriation. Conversely, related party payables in family-owned enterprises may indicate familial devotion and resource support, thus strengthening trust and increasing firm value (Sánchez et al., 2017). In non-family-owned enterprises, on the other hand, these payables may lack equivalent credibility. Therefore, the governance implications of ownership structure can be better understood by distinguishing between family-owned and non-family-owned enterprises (Azizi et al., 2021; Du & Cao, 2023; Tayeh et al., 2025). Thus, the fourth hypotheses are proposed as follows.

H4a: Family-owned businesses are more negatively impacted by the association between related party receivables and firm value than non-family-owned businesses.

H4b: Family-owned businesses are more positively impacted by the association between related party payables and firm value than non-family-owned businesses.

The Role of Financial Control

According to prior studies on this topic, firm value is also affected by leverage, profitability, and liquidity (Erdogan, 2020; Khalifaturofi'ah & Setiawan, 2024; Chakkravarthy et al., 2024). A high debt-to-equity ratio (DER) increases financial risk, thus having the potential to lower firm value. Conversely, profitability (ROA)—which indicates management efficiency—typically enhances firm value. Similarly, liquidity—reflected by Current Ratio (CR)—shows short-term solvency and financial health that can reassure stakeholders, thus may increase firm value. These elements are included in this study as control variables to isolate the unique impact of related party transactions.

RESEARCH METHODS

The study population consists of 54 firms within the property and real estate sector registered on the Indonesia Stock Exchange (IDX) between 2019 and 2023. Sample selection employed a purposive sampling technique, with inclusion criteria as follows: (1) disclosing information on related party receivables and payables; and (2) releasing comprehensive annual reports and financial statements during the study period. Of 54 firms, the final sample of 24 firms was taken based on these criteria, comprising seven family-owned and 17 non-family-owned businesses. A company is classified as family-owned if a founding family member holds a significant share of ownership or occupies a key managerial or board position, indicating effective control. Meanwhile, firms that do not meet these criteria are categorized as non-family-owned. This classification makes it possible to observe whether the influence of related party transactions differs between family-controlled firms and those with more dispersed ownership structures. The small sample size reflects the low disclosure of related party transactions among property and real estate companies in Indonesia, since most of them provide incomplete or inconsistent information. Data analyses employed panel regression models, utilizing Stata Statistical Software for data management and evaluation to ensure the robustness and accuracy of the results. Research variables and their measurements are presented in Table 1.

Table 1. Variable Measurements

Variables	Measurement	Acronyms	References
Dependent Variable			
Tobin's Q	Market Value of Equity + Total Liabilities / Total Assets	TobinQ	Thoma (2021)
Independent Variables			
RP Receivables	Related Party Receivables / Total Assets	RPR	Sari & Baridwan (2014)
RP Payables	Related Party Payables / Total Assets	RPP	Hendratama & Barokah (2020)
Control Variables			
Leverage	Total Debt / Total Equity	DER	Khuong et al. (2023)
Profitability	Net Income / Total Assets	ROA	Alquhaif (2025)
Liquidity	Current Assets / Current Liabilities	CR	Chia et al. (2020)
Moderating Variable			
Firm Size	Natural Logarithm of Total Assets	Size	Abigail & Dharmastuti (2022)

Source: Data Processing (2025)

To examine the impacts of related party transactions on firm value, four regression models were constructed, with Tobin's Q as the dependent variable and leverage (DER), profitability (ROA), liquidity (current ratio), and firm size (Size) as the significant financial management variables. The model configurations are as follows:

Model 1: (1)

$$TobinQit = \beta0 + \beta1RPRit + \beta2RPPit + \beta3DERit + \beta3ROAit + \beta4CRit + \varepsilon it$$

Model 2: (2)

$$TobinQit = \beta0 + \beta1RPRit + \beta2RPPit + \beta3Sizeit + \beta4(RPRit\times Sizeit) + \beta5(RPPit\times Sizeit) + \beta6DERit + \beta7ROAit + \beta8CRit + \varepsilon it$$

Model 3: (3)

$$TobinQit = \beta0 + \beta1RPRit + \beta2RPPit + \beta3FAMit + \beta4(RPRit \times FAMit) + \beta5(RPPit \times FAMit) + \beta6\ DERit + \beta7ROAit + \beta8CRit + \varepsilon it$$

Model 4: (4)

$$TobinQit = \beta0 + \beta1RPRit + \beta2RPPit + \beta3Sizeit + \beta4FAMit + \beta5(RPRit \times Sizeit) + \beta6(RPPit \times Sizeit) + \beta7(RPRit \times FAMit) + \beta8(RPPit \times FAMit) + \beta9DERit + \beta10ROAit + \beta11CRit + \varepsilon it$$

Where:

TobinQ = Firm value
RPR = Related party receivables / total assets
RPP = Related party payables / total assets
DER = Debt to Equity Ratio
ROA = Return on Assets
CR = Current Ratio
Size = Natural logarithm of total assets
FAM = Dummy variable for family-owned firms (1=family, 0=non-family).
It = Firm i in year t
ε = The error term

RESULTS AND DISCUSSION

The descriptive statistical analyses of all variables are derived from 120 firm-year observations. The results are presented in Table 2 below.

Table 2. Descriptive Statistics

Variables	Observation	Mean	Min	Max	Std. Deviation
TobinQ	120	0.3605	0.0004	2.7341	0.341
RPR	120	0.0155	0.0001	0.1467	0.0318
RPP	120	0.0218	0.0014	0.3039	0.0443
DER	120	0.9847	0.0127	27.0381	2.5276
ROA	120	0.0144	-0.0652	0.4283	0.0601
CR	120	4.3556	0.1004	5.5925	8.9880
Size	120	28.8218	25.3102	31.8331	1.6592

Source: Data Processing (2025)

As shown in Table 2, Tobin's Q has an average of 0.3605, with values ranging from 0.0004 to 2.7341. This indicates that while some firms are highly valued on the market, the majority are not. On average, related party receivables and related party payables account for 0.0155 and 0.0218 of the total assets, respectively. This suggests that both related party transactions are taking place, despite being typically minor. Furthermore, the financial structures of the observed firms vary greatly, as reflected in the wide range of DER values from 0.9847 to 0.0127. The average value of ROA, on the other hand, is only 0.0144, with some firms even facing financial risk. Meanwhile, the average of CR is 4.3556, but its highest value reaches 5.5925, signifying that certain firms have significantly greater current assets than liabilities. Lastly, the average firm size is 28.8218, with a minimum of 25.3102 and a maximum of 31.8331, meaning that firm sizes are generally steady compared to other financial ratios.

Table 3. Family Ownership Status

Status	Frequency	Percentage	Cumulative
Family-Owned	35	29.17	29.17
Non-Family-Owned	85	70.83	100.00
Total	120	100.00	

Source: Data Processing (2025)

The distribution of family ownership status shows that non-family-owned enterprises constitute 70.83 percent of the sample (85 observations), while family-owned firms account for 29.17 percent of the sample (35 observations). This indicates that while family businesses do not make up the majority of Indonesia's property and real estate sector, they still represent a significant portion. This comparison is essential to assess how family ownership influences the effect of related party transactions—both receivables and payables—on firm value.

Table 4. Pearson Correlation Matrix

Variables	TobinQ	RPR	RPP	DER	ROA	CR	Size
TobinQ	1.000						
RPR	0.180**	1.000***					
RPP	-0.073	-0.017	1.000***				
DER	0.031	0.218**	0.020	1.000***			
ROA	-0.086	-0.059	0.061	-0.087	1.000***		
CR	0.080	0.058	-0.113	-0.119	0.326***	1.000***	-
Size	-0.161*	-0.418***	0.135	0.178*	0.107	-0.218**	1.000***

***, **, and * denote significance at < .01, < .05, and < .10 levels, respectively, for one-tailed tests.

Source: Data Processing (2025)

The correlation matrix reveals several significant connections between variables. Contrary to the first hypothesis, Tobin's Q shows a strong positive relationship with related party receivables, suggesting that higher related party receivables are weakly linked to higher firm value. Conversely, Tobin's Q and firm size have an inverse relationship, meaning that smaller companies in the sample most likely have a higher market value. The strong negative association between related party receivables and firm size indicates that smaller businesses depend more on these transactions. As predicted previously, ROA is positively connected with CR. This is because profitable companies typically have better liquidity. DER has a small positive relationship with both related party receivables and firm size. Bigger companies with a higher amount of debt are more likely to do business with related parties. Smaller firms, on the other hand, rely more on related party receivables, and firm size affects these financial relationships.

To analyze the correlation between related party transactions and firm value, regression tests were performed on four different models, with Tobin's Q as the dependent variable. Model 1 emphasizes related party transactions (receivables and payables); Model 2 concentrates on the moderating effect of firm size; Model 3 focuses on group differences between family-owned and non-family-owned businesses; while Model 4 combines moderation and group differences. The results are presented in the form of coefficient estimates, adjusted R^2, F-statistics, and total data (Table 5), with statistical reliability at the 1%, 5%, and 10% thresholds for one-tailed tests indicating the significance level.

Table 5. Regression Test Results

Variables	Model 1	Model 2	Model 3	Model 4
Intercept	0.469***	2.411***	0.5477***	1.513*
	(6.993)	(3.083)	(7.030)	(1.825)
RPR	-0.4495*	-10.506**	-0.683**	-8.239*
	(-1.654)	(-2.244)	(-2.232)	(-1.756)
RPP	2.150***	23.8144**	1.532***	18.793
	(3.850)	(-2.047)	(2.694)	(-1.471)
Size		-0.0662***		-0.033
		(-2.613)		(-1.191)
RPR*Size		0.338**		0.255*
		(2.220)		(1.667)
RPP*Size		0.938**		0.756
		(2.115)		(1.54)
Family			-0.172**	-0.132
			(-2.262)	(-1.562)
RPR*Family			-0.760	-0.835
			(-0.585)	(-0.52)
RPP*Family			4.331**	2.714
			(2.420)	(1.332)
DER	0.035	0.054	0.0477*	0.0487*
	(1.020)	(1.620)	(1.882)	(1.754)
ROA	-0.267	-0.115	-0.242	-0.1685
	(-0.811)	(-0.282)	(-0.835)	(-0.552)
CR	0.023	0.016	0.019	0.019
	(1.374)	(0.811)	(0.998)	(0.823)
Year fe.	Yes	Yes	Yes	Yes
Firm fe.	Yes	Yes	Yes	Yes
Adj. R^2	0.511	0.709	0.673	0.731
F-statistic	4.400	5.981	7.152	7.074
Sig. F	0.000	0.000	0.000	0.000
N	120	120	120	120

***, **, and * denote significance at < .01, < .05, and < .10 levels, respectively, for one-tailed tests.
Source: Data Processing (2025)

The Effect of Related Party Receivables on Firm Value

Across all configured models, RPR has been shown to lower firm value, thus supporting H1. This finding confirms the agency theory, which holds that related party receivables are frequently perceived as a means of tunneling or earnings manipulation, enabling controlling owners to exploit company resources at the expense of minority shareholders. Such transactions may raise serious doubts about the accuracy of anticipated earnings and cash flows, which can lower the firm's value in the market. According to the signaling theory, an increase in related party receivables may indicate poor liquidity and governance quality. This is also in line with the findings of prior studies (Abigail & Dharmastuti, 2022; Wulandari et al., 2022; Alsultan, 2023). The findings of this study suggest that related party transactions in the form of receivables negatively impact firm value in the context of Indonesia's property and real estate industry.

The Effect of Related Party Payables on Firm Value

In Models 1 and 3, RPP demonstrates a positive and significant relationship with firm value. Therefore, H2 is accepted. Unlike receivables, related party payables can function as a mechanism of internal financing, which reduces dependency on external creditors and signals financial flexibility. This is in line with the signaling theory, as reliance on group payables may indicate resource support and stability from affiliated businesses, which is particularly significant in emerging markets with weaker external capital markets. In Models 2 and 4, however, the RPP coefficient becomes negative due to the additional interaction between firm size and family ownership. Nonetheless, this condition does not represent the actual situation. Prior studies have also indicated that related party payables can lower transaction costs and increase firm value when managed transparently (Hendratama & Barokah, 2020; Yoon & Jin, 2021; Ismail et al., 2022).

The Moderating Effect of Firm Size on the Relationship between Related Party Receivables on Firm Value

Model 2 shows a strong relationship between firm size and RPR, thereby confirming H3a. Larger firms are typically more cautious and have stricter disclosure rules, better management, and greater external oversight, making it more difficult for insiders to misappropriate related party receivables. This may indicate strategic coordination within the organization rather than tunneling, thus diminishing the negative connotation. The company's reputation and visibility in the market further lessen the perception of opportunistic behavior. Large companies will avoid such transactions since the market perceives them as less opportunistic. Therefore, this can mitigate negative market reactions (Kijkasiwat & Phuensane, 2020; Santosa, 2020; Fulop, 2023).

The Moderating Effect of Firm Size on the Relationship between Related Party Payables on Firm Value

The interaction between firm size and RPP (Model 2) is positive and significant, thus supporting H3b. Because their position are generally more stable, larger firms can manage the debts that they owe to related parties more transparently and efficiently. This will reduce agency conflicts and demonstrate that related party transactions can serve the interests of all shareholders and prevent insider favoritism in a well-monitored environment. The signaling theory emphasizes that the market views large firms' related party debts as a reliable indicator of their financial strength, thereby enhancing the positive impact on firm value. This confirms the findings of previous studies by Kijkasiwat and Phuensane (2020), Santosa (2020), and Fulop (2023) that, when managed transparently, related party payables can provide the company with greater financial flexibility, facilitate the acquisition of cash, and demonstrate the close relationship among related companies in a corporate group.

The Effect of Related Party Transactions Differs between Family-Owned and Non-Family-Owned Firms

The results of the analyses on Models 3 and 4 support both H4a and H4b. The interaction between family ownership and related party receivables is negative and insignificant, indicating that RPR does not systematically penalize family-owned businesses more than non-family-owned enterprises. For related party payables, however, family-owned firms show a stronger positive effect, especially in Model 3. This is in line with the agency theory, which explains that owners of family businesses may have stronger incentives to protect firm value because their wealth is tied to long-term performance; for this reason, related payables are used in a way that aligns interests rather than expropriates value (Stryckova, 2023). Furthermore, the signaling theory holds that the usage of related party payables by family businesses can send a positive signal of financial support and commitment from the family network, thus boosting market trust. This distinct pattern aligns with earlier studies that demonstrate how related party transactions affect family-owned and non-family firms differently (Azizi et al., 2021; Du & Cao, 2023; Tayeh et al., 2025). Rather than opportunistically exploiting them, family-owned firms often use related party transactions to enhance credibility and strengthen shareholder trust.

CONCLUSION

This study examines the impact of related party transactions on firm value within Indonesia's property and real estate sector, with an emphasis on the roles of family ownership and firm size. The findings reveal that related party receivables consistently reduce firm value, thus supporting the notion that they are often used in ways that create agency conflicts and send negative signals to the market. Both related party receivables and payables can serve as a reliable source of internal funding and a strong indicator of financial health, which can increase firm value. The relationship between related party transactions and firm value is further influenced by firm size, which magnifies the positive effects of related party payables and reduces the negative impacts of related party receivables. Although no distinct difference in related party receivables is observed between family-owned and non-family-owned companies, family businesses earn higher revenue from related party payables than non-family-owned enterprises, signifying the influence of family ownership.

From a theoretical standpoint, the findings of this study support both the agency theory and the signaling theory by revealing the dual role of related party transactions. While accounts payable functions as a reliable indicator of group support, accounts receivable may reflect agency issues. This emphasizes the need for practitioners—especially investors and regulators—to distinguish between various types of related party transactions. Furthermore, managers of large and family-owned companies should properly supervise the disclosures and perceptions about related party transactions to maintain investor confidence.

Despite its valuable implications, this study still has several limitations. First, the analysis focuses solely on the property and real estate sector in Indonesia, which may limit the generalizability of the findings to other sectors or countries. Second, this study uses secondary financial data, which may not accurately reflect the strategic intentions of the parties involved and only captures the quantitative aspects of their transactions. Third, this study analyzes a small sample size, which may limit the ability to detect significant differences, particularly when the sample is divided into family-owned and non-family-owned subgroups. Future studies are, therefore, recommended to expand their scope to include diverse industries, qualitative viewpoints, and other moderating variables, such as ownership concentration, board independence, and audit quality.

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