KASBIT BUSINESS JOURNAL

Journal homepage: www.kbj.kasbit.edu.pk

Do Founding CEOs and Board Meetings Influence Earnings Management? The Moderating Role of Family Ownership

Asma Bano[i], Muhammad Asad Ullah[ii]

i) Lecturer, Department of Business Administration, NICE:Newports Institute of Communications and Economics, Karachi

ii) Associate Professor, College of Management Sciences, KIET:Karachi Institute of Economics and Technology, Karachi

ARTICLE INFO

Keywords:
Founding CEO, Family ownership, Board activity, Earnings Management, Discretionary accruals, Family firms, Non-family firms.

ABSTRACT

The study examines the impact of founding CEOs, board meetings, and family ownership on earnings management through three different discretionary accrual models. We employ a quantitative approach to investigate the moderating effect of family ownership structure on the nexus between corporate governance and earnings management. Using 150 non-financial firms from 2016–2021, we find that founding CEOs and family-owned Organizations are becoming less engaged with earnings management than other firms. In contrast to previous studies, we find that a higher number of board meetings creates higher discretionary accruals in the context of Pakistan. Our findings may help improve the corporate governance system and reduce agency problems, which most firms face in their organizations. Investors also benefit from this study when making investment decisions.

Corresponding Authors: Asma Bano
Email: asmaqassim86@gmail.com

Received: 28 July, 2025
Received in revised form: 29th December, 2025
Accepted: 7thJanuary, 2026

1. Introduction

Earnings management has captured the attention of several academicians and researchers, as earnings manipulation is most common around the world (Bao & Lewellyn, 2017; Razzaque, Ali, &

Mather, 2016). Investors and other stakeholders make investment decisions based on the firm's financial information. Most firms report inaccurate earnings; consequently, based on this information, investors may lose their investment (Kapoor & Goel, 2019; Chen et al., 2021). However, Li, Ho Park, and Shuji Bao (2014) argue that this manipulation is lower in developed nations as compared to emerging nations. Earnings manipulation reduces investors' confidence levels and results in lower-quality financial reporting (Baker et al., 2019). Corporate governance is one of the solutions to this problem. Corporate governance aims to monitor the board members' activities and reduce the chances of manipulation in firms. Many international organizations reported that the main reason behind corporate failure is inefficient corporate governance and its implementation in the firm (Srinidhi et al., 2014; Khuong & Liem, 2023).

Pakistan presents a unique context due to its highly concentrated ownership structure, where more than half of the listed firms are controlled by families (Srinidhi et al., 2014; Hashmi et al., 2018). Several studies report that family-controlled firms tend to exhibit stronger internal control practices and lower levels of earnings manipulation (Gavana, Gottardo & Moisello, 2017). This trend aligns with broader regional patterns, as approximately 66% of Asian companies are controlled by families (Claessens et al., 2002; Purkayastha et al., 2022), and similar observations are documented in other countries where family businesses remain a common organizational form (Abdullah, Hashmi & Iqbal, 2022). For instance, around 90% of U.S. firms, 40% of Western European firms, and 57% of Malaysian firms are family-owned (Claessens et al., 2000). This pattern aligns with broader Asian markets, where family ownership typically dominates corporate structures (Claessens et al., 2002; Purkayastha et al., 2022). While family firms often exhibit long-term orientation and reputation-driven behavior that may discourage earnings manipulation (Gavana, Gottardo & Moisello, 2017; Martin et al., 2016), the concentration of power may also create entrenchment risks and agency conflicts with minority shareholders (Haniffa & Cooke, 2002; Bertin & Iturriaga, 2014; AlQadasi & Abidin, 2022). Given these characteristics and the prevalence of family ownership, Pakistan provides an appropriate context for examining the relationship between corporate governance mechanisms and earnings management. As an emerging economy with relatively weak governance structures and regulatory enforcement (Hashmi et al., 2018), the influence of family ownership is particularly significant, given that more than half of Pakistani firms are under family control.

Founding CEOs also play a significant role in shaping financial reporting quality. Their deep involvement and historical attachment to the business may strengthen monitoring and long-term commitment, yet the concentrated power they hold can also provide opportunities for opportunistic behavior (Oswald et al., 2009; Wang, 2006; Basu & Liang, 2021). The effectiveness of board meetings remains debated: some studies argue that active boards enhance oversight and reduce manipulation (Kapoor & Goel, 2019), while others find that frequent meetings may signal internal problems, increasing managerial pressure and potentially leading to greater earnings adjustments (Ali et al., 2007; Sciascia & Mazzola, 2008; Gerged, 2021). Although corporate governance research has expanded significantly in recent years, limited empirical work has jointly examined founding CEOs, board activity, and family ownership, particularly in Pakistan's family-dominated market. This gap is important because family ownership may alter the effectiveness of both founder

leadership and board oversight, affecting earnings quality in ways not yet fully understood. Therefore, this study investigates the impact of founding CEOs, board meetings, and family ownership on earnings management in Pakistani non-financial firms and examines the moderating role of family ownership. the study provides comprehensive evidence on earnings quality in an emerging market setting.

We set our first objective in this research is to examine the separate effects of founding CEOs, board meetings, and family ownership on earnings management. Founding CEOs and board meetings can prevent and detect fraud and the main pillars of corporate governance. Based on this we formulate our second objective, to check the moderating effect of family ownership on the nexus between the founding CEOs, board meetings, and earnings management. Furthermore, our third objective is, to examine whether agency theory effectively explains the agency problem in Pakistan. Fourth, the study investigates the practice of CEO attributes, board activities, and ownership structure at different levels of earnings management. We used 150 non-financial active organizations' data set, listed on the PSX from 2016 - 2021. In this research, we found that family ownership and founding CEOs have a negative influence on EM. This implies that family-owned firms are more concerned with their reputation. However, we also found that board meetings positively influence earnings management. Moreover, the founding CEOs and board meetings moderate the relationship between EM and family ownership in all three models of this study.

We contribute to this study in several ways. Firstly, we focus the founding CEOs on controlling the family reputation, which consequently reduces the chance of earnings manipulation in family firms. This contribution belongs to the literature on the role of family firms in earnings manipulation. Secondly, this study inspects whether family members modulate the nexus between corporate governance mechanisms and EM. Thirdly, to the best of our knowledge, the relationship between the founding CEO, family ownership, board meetings, and EM has not been studied together in the context of Pakistan. Fourthly, we also used a large data set with different industrial sectors and a robust statistical methodology to enhance the understanding of this study. Fifthly, this study shows that corporate governance systems can improve and reduce agency issues, which most firms face in their organizations. Investors also benefit from this study in their investment decisions.

2. **Theory and hypotheses development**

2.1 Family ownership and earnings management

In an organization, family ownership represents the ownership of family members, and this ownership is greater than fifty percent of the firm's ownership in Asian countries (Jaggi et al., 2009; Mustapha & Che Ahmad, 2011; Ansari, Georgen, & Mira, 2021). One of the parts of the concentrated ownership structure is family ownership and most Asian companies are concentrated within family ownership, like Pakistan (Srinidhi et al., 2014; Fan & DanWong, 2002). There are huge differences between these two firms because their natures are different. According to agency theory, family ownership improves the monitoring system of firms, which creates agency conflict between owners and agents. However, family

ownership aligns with the benefits of family members and shareholders. This kind an interest automatically increases firm performance and reduces agency costs (Alodat et al., 2022).

However, the relationship between earnings management and family ownership is explained by two different theories. First is the alignment theory and second is the entrenchment theory. Many studies suggest that family members have both effects on earnings management and personal benefits (Wang, 2006). Alignment effects theory explains that family shareholders (managers) discourage manipulating earnings so they maintain their reputation and hold control over firms (Lourenco, Branco & Curto, 2018; Chen et al., 2023). Similarly, larger family members in the firms mostly align the interests of both shareholders (Ghaleb, Kamardin & Tabash, 2020). Shuji Bao (2014) argues that increasing family ownership at low management levels will not engage with earnings management. While, at high managerial levels, there is a chance to increase earnings manipulating in the organization. Similar results were found in another study showing that five to twenty-five percent of family ownership in a company can be beneficial and line up with the benefits of outsider minor shareholders. However, at upper levels of management, the entrenchment effect is greater than the alignment effect (Boone et al., 2007; Suryadnyana et al., 2025).

Furthermore, many studies report mixed results on earnings management and family ownership in past research (Durendez & Madrid-Guijarro, 2018; Ghaleb, Kamardin, & Tabash, 2020; Razzaque, Ali, & Mather, 2016). Although several studies report a negative association between family ownership and EM (Haniffa & Cooke, 2002; Bertin & Iturriaga, 2014; Lourenco, Branco & Curto, 2018). On the contrary, Gavana, Gottardo, and Moisello (2017); Campbell and Gomez-Mejia (2016); Purkayastha, Veliyath, and George (2022); Ansari, Georgen, and Mira (2021) suggested, the association between family ownership and EM is positive. Thus, we recommend the following hypothesis based on our discussions:
H1: Family ownership has a negative association with EM.

2.2 Founding CEO and Earnings Management

A founder CEO is an individual who established a firm and holds its chief executive officer position. Several studies found that most family firms in developing countries are managed by founders or their descendants to exert their power and keep control of the organization (Munoz-Bullon et al., 2018). However, in both family firms and founded firms, the abnormal accruals are low because they are very concerned with family reputation (Martin et al., 2016). Similarly, Wang (2006) states that family-owned firms are less connected with EM through DA than non-family-owned firms because family firms believe in long-term relationships with shareholders. According to agency theory, the behavior and incentives are different in earnings management for founder CEOs as compared to non-family CEOs. However, founder CEOs engaged more with agency conflict type 2. (principle-principle) and less with agency conflict type 1 (agent-principle). Thus, founder CEOs are less engaged in opportunistic behaviors that harm the overall firm's value (Oswald et al., 2009).

Many studies found a positive and significant association between founder CEOs and EM (Baker et al., 2019; Munoz-Bullon et al., 2018). However, other studies found a negative relationship between founder

CEOs and earnings management (Martin et al., 2016; Achleitner et al., 2014; Gavana, Gottardo, & Moisello, 2017; Yoe et al., 2002). Thus, we recommend the following hypothesis based on these discussions:

H2: The founding CEO has a negative association with EM.
H3: Family ownership moderates the association between the founding CEO and EM.

2.3 Board meetings and earnings management

A board meeting is a formal gathering of a board of directors to discuss corporate policy issues, firm performance, and strategic matters of a firm (Oswald et al., 2009). In corporate governance, board meetings are considered an important aspect because they show directors' diligence toward the firm (Ansari, Goergen, and Mira, 2021). It is a source of information sharing between firm management and top executive directors. However, past studies suggested that an active board is good for the shareholder's interests and it has an effect on EM. More board meetings in the firms reduce the chance of discretionary accruals and it will improve board monitoring (Kapoor & Goel, 2019; Chen et al., 2006). In addition, a board, that meets more than usually, they are more capable of understanding the firm issues such as earnings management (Xie, Davidson & Dadalt, 2002). Ferris, Jagannathan, and Pritchard (2003) argued that multiple board meetings might cause difficulties for family members and directors to discharge their job responsibilities. Ali, Chen, and Radhakrishnan (2007) argue, that family-owned organizations are relatively less autonomous and less disclosure because they want to maintain family wealth. On the other side, family firms have worse financial performance because family members have less professional competency (Sciascia & Mazzola, 2008).

However, several studies found a negative and significant association between board meetings and earnings management because the percentage of board meetings is expected to increase the quality of financial reporting (Kapoor & Goel, 2019; Ghaleb, Kamardin & Tabash, 2020; Alodat et al., 2022; Cheng & Courtenay, 2006). Thereby, based on the above discussions, the following hypotheses are framed:

H4: Board meetings have a negative association with EM.
H5: Family ownership moderates

3. Data and Methodology

3.1 Data

The study uses data from the Pakistan Stock Exchange (PSX) from 2016 to 2021 on non-financial active firms with a sample of 750 observations. Table 1 presented sector-wise information on firms that were included in this study. There are several reasons behind this data selection. First, all those firms that

belong to financial sectors are omitted because of different reporting styles and regulatory requirements, which make it difficult to compare them with non-financial firms in developing countries (Ansari, Goergen, and Mira, 2021). Second, the required data for calculating earnings management was not available for the 6 years from 2016–2021. Third, all the firms on the Pakistan Stock Exchange have fewer financial disclosures (Ashraf and Ghani, 2005), which is why we are not able to find various variable data from their annual reports.

Table 1

S. no.	Sectors	No. of companies
1	Automobile parts & accessories	18
2	Cement	15
3	Chemical	20
4	Engineering	14
5	Fertilizer	6
6	Food & personal care products	23
7	Pharmaceuticals	11
8	Sugar and allied industries	24
9	Technology & communication	12
10	Textile weaving	7
	Total	**150**

3.2. Measurement of variables and model specification

Several researchers used different models to measure discretionary accruals, including Healy (1989), Jones (1991), and real earnings management (REM). In our study, we adopt three different models for earnings management. Our first model is the Jones model (DACC_JM), the second model is the Modified Jones model (DACC_MJM), and the third model is the performance-matched model (DACC_PM). The discretionary accruals were estimated in two steps through the Jones model. First, we calculate both non-discretionary accruals (NDAs) and total accruals (TAs) by running the regression. Then we calculate discretionary accruals (DACC) via their error term. Equation (I) represents the Jones model.

$$\frac{TAC_{it}}{TA_{it-1}} = \alpha_0 + \alpha_1 \frac{1}{TA_{it}} + \alpha_2 \frac{\Delta REV_{it}}{TA_{it-1}} + \alpha_3 \frac{PPE_{it}}{TA_{it-1}} + \varepsilon_{it} \qquad \text{(I)}$$

Where TAC_{it} is the total accruals of the year for each firm; whereas, TA_{it-1} is calculated by; last year's total assets subtracted from the current year's total assets. However, ΔREV_{it} is the difference between the current and last year's sales in each company. PPE_{it} is the total value of non-current assets (property, plant, and equipment) at the end of the year. Moreover, α_0, α_1, α_2, and α_3 are the OLS estimates and ε is the residuals of this regression.

Furthermore, the second model we use in our study is the modified Jones model (DACC_MJM). Equation (II) represents the modified Jones model. This model is an extension of Jones's model in which a new variable, changes in account receivables (REVit), is introduced as an additional variable. According to the DACC-MJM model, the Jones model ignores the fact that sales are subject to discretion. However, the modified model claims that changes in uncollected credit revenues are attributed to earnings management.

$$\frac{TAC_{it}}{TA_{it-1}} = \alpha_0 + \alpha_1 \frac{1}{TA_{it}} + \alpha_2 \frac{\Delta REV_{it} - \Delta REC_{it}}{TA_{it-1}} + \alpha_3 \frac{PPE_{it}}{TA_{it-1}} + \varepsilon_{it} \quad \text{(II)}$$

In addition, our third model is the performance-matched model (DACC_PM). This model is a further extension of modified Jones models in which another new variable ROA is added to the model. According to Kothari et al. (1995), accruals are related to firm performance. Equation (III) represents the performance-matched model.

$$\frac{TAC_{it}}{TA_{it-1}} = \alpha_0 + \alpha_1 \frac{1}{TA_{it}} + \alpha_2 \frac{\Delta REV_{it} - \Delta REC_{it}}{TA_{it-1}} + \alpha_3 \frac{PPE_{it}}{TA_{it-1}} + \alpha_4 ROA_{it} + \varepsilon_{it} \quad \text{(III)}$$

Table 2. Measurement of variables

Variables	Symbol	Measurement
Discretionary accruals	DACC_JM	The discretionary accruals by the Jones model.
	DACC_MJM	The discretionary accruals by Modified Jones model.
	DACC_PM	The discretionary accruals by Performance Matched model.
CEO Founder	CEOF	A dummy variable is if the current CEO of the firm Is a founder (1) and otherwise (0).
Board Meetings	BMEET	Total board meetings per annum.
Family Ownership	FOWN	Total family members divided by total number of board of directors in the board.
Firm growth	GROWTH	The assets growth ratio of a firm over the year.
Firm Age	FAGE	The number of years since a firm's starts.
Firm Size	FSIZE	The natural log of total assets.
Leverage	LEV	Total liabilities are divided by total assets.

The measurements of variables are presented in Table 2. Our dependent variable is earnings management (EM), which is calculated through three different models. Model (1) DACC-JM measure through the Jones models, Model (2) DACC-MJM measure through the Modified Jones model, and Model (3) DCC-PM measure through the performance-matched model. Our independent variables are board meetings, CEO founder, and family ownership. Board meetings are calculated by number of board meetings per year. Consistent with Ansari, Georgen, and Mira (2021), the CEO founder is a dummy variable and is measured by code 1 or 0, (1) if the current CEO is a founder of the firm and (0) otherwise. However, family ownership is an independent as well as a moderator variable used in our study, which is calculated by the number of family members divided by the number of board members, which is consistent with previous literature (Bouaziz, Salhi, & Jarboui, 2020). We also used control variables in our study, including firm growth, leverage, firm age, and firm size.

3.2.3 Model **specification**

Models 1, 2, and 3 were designed for empirically verifying H1, H2, and H4. These three models represent the study's baseline model, which is presented in Table 5. Equations 1-3 are divided into three sub equations a, b, and c. The second equation replaces CEOF with BMEET, and in the third CEOF will replaced by FOWN with two different models. The formation of the baseline model for this study is as follows:

$$DA\_JM_{it} = \beta_1 + \beta_2 FOWN_{it} + \beta_3 GROWTH_{it} + \beta_4 FAGE_{it} + \beta_5 FSIZE_{it} + \beta_6 LEV_{it} + \varepsilon_{it} \quad (1)$$

$$DA\_JM_{it} = \beta_1 + \beta_2 CEOF_{it} + \beta_3 GROWTH_{it} + \beta_4 FAGE_{it} + \beta_5 FSIZE_{it} + \beta_6 LEV_{it} + \varepsilon_{it} \quad (2)$$

$$DA\_JM_{it} = \beta_1 + \beta_2 BMEET_{it} + \beta_3 GROWTH_{it} + \beta_4 FAGE_{it} + \beta_5 FSIZE_{it} + \beta_6 LEV_{it} + \varepsilon_{it} \quad (3)$$

Subsequently, model 4a, 4b, and 4c presented the interaction models, which is reported in Table 6. These models presented the moderating effect of family ownership on the connection between earnings management and CEO founder. The formation of the interaction model for this study is as follows:

$$DA\_JM_{it} = \beta_1 + \beta_2 CEOF_{it} + \beta_3 FOWN_{it} + \beta_4 CEOF * FOWN_{it} + \beta_5 GROWTH_{it} + \beta_6 FAGE_{it} + \beta_7 FSIZE_{it} + \beta_8 LEV_{it} + \varepsilon_{it} \quad (4a)$$

$$DA\_MJM_{it} = \beta_1 + \beta_2 CEOF_{it} + \beta_3 FOWN_{it} + \beta_4 CEOF * FOWN_{it} + \beta_5 GROWTH_{it} + \beta_6 FAGE_{it} + \beta_7 FSIZE_{it} + \beta_8 LEV_{it} + \varepsilon_{it} \quad (4b)$$

$$DA\_PM_{it} = \beta_1 + \beta_2 CEOF_{it} + \beta_3 FOWN_{it} + \beta_4 CEOF * FOWN_{it} + \beta_5 GROWTH_{it} + \beta_6 FAGE_{it} + \beta_7 FSIZE_{it} + \beta_8 LEV_{it} + \varepsilon_{it} \quad (4c)$$

Second, the interacting impact of family ownership (FO) on the connection between board meetings and earnings management was tested by th below models 5a, 5b, and 5c, respectively:

$$DA\_JM_{it} = \beta_1 + \beta_2 BMEET_{it} + \beta_3 FOWN_{it} + \beta_4 BMEET * FOWN_{it} + \beta_5 GROWTH_{it} + \beta_6 FAGE_{it} + \beta_7 FSIZE_{it} + \beta_8 LEV_{it} + \varepsilon_{it} \quad (5a)$$

$$DA\_MJM_{it} = \beta_1 + \beta_2 BMEET_{it} + \beta_3 FOWN_{it} + \beta_4 BMEET * FOWN_{it} + \beta_5 GROWTH_{it} + \beta_6 FAGE_{it} + \beta_7 FSIZE_{it} + \beta_8 LEV_{it} + \varepsilon_{it} \quad (5b)$$

$$DA\_PM_{it} = \beta_1 + \beta_2 BMEET_{it} + \beta_3 FOWN_{it} + \beta_4 BMEET * FOWN_{it} + \beta_5 GROWTH_{it} + \beta_6 FAGE_{it} + \beta_7 FSIZE_{it} + \beta_8 LEV_{it} + \varepsilon_{it}$$

4. Result and discussion

4.1 Descriptive statistics

Table 3 presents the descriptive statistics of this study with the help of three different models. The average value of earnings management from the Jones model is 2.608 (standard deviation 14.443), from the modified Jones model, is 2.608 (standard deviation 14.442), and from the performance-matched model is 2.614 (standard deviation 14.45). This implies that approximately 2.61 percent of accruals are

discretionary in our sample. Our results are similar to previous research, which suggests that the mean value should be bigger than 0.10 (Shuji Bao, 2014). Furthermore, board meetings have a 5.106 mean value (standard deviation 1.260), which indicates that at least five board meetings have been conducted annually. However, family ownership has a 0.219 mean value (standard deviation of 0.419), which implies that in our sample, an average firm has around 21.9% of family directors in the organization. This result is consistent with prior studies, which reported that in emerging countries, most businesses are family-dominated (Ashraf & Ghani, 2005). Table 3 also reports the mean value of CEO founders, which is 0.091; this indicates that about 9% of the firms have a founder CEO in our sample. Furthermore, the average value of firm age is 37.193, which infers that on average 37.19-year-old firms are in our sample, which is very common in Asian countries. Firm size has a 6.837 mean value; this implies that the average company size is approximately Rs 6.837 billion in Pakistan. Furthermore, on average, firms depend on debt financing for 61% of their overall capital structure. The firm growth rate is 1.719 on average, which indicates that the firm growth rate in Pakistan is 1.719. However, it is important to clarify that the Shapiro–Wilk statistics in Table 3 are high and significant, which means the variables deviate from normality, not that they are normally distributed. Since panel regressions with large samples are robust to normality issues, this does not affect model estimation.

Table 3: Descriptive Statistics

	Mean	Std. Deviation	Variance	Shapiro-Wilk statistic
DACC_JM	2.608	14.443	208.625	14.818***
DACC_MJM	2.608	14.442	208.573	14.818***
DACC_PM	2.614	14.450	208.820	14.814***
CEOF	0.091	0.381	0.145	12.788***
FOWN	0.219	0.419	0.176	14.148***
BMEET	5.106	1.260	1.588	9.066***
FAGE	37.193	16.302	265.757	6.063***
FSIZE	6.837	0.722	0.522	5.797***
LEV	0.612	1.046	1.095	14.966***
GROWTH	1.719	6.086	37.045	15.357***

Note: *, **, and ******* indicate statically significance at 0.10, 0.05, and 0.01 confidence level, respectively.

4.2 Pearson correlations

Table 5 reports the correlation matrix between family ownership, earnings management, board meetings, and founding CEOs. The results of the correlation matrix suggest that founding CEOs (CEOF) and family ownership (FOWN) positively correlate with each other (r = 0.1146), which infers, that the association between founding CEOs and (FOWN) family ownership is strongly connected. On the contrary, CEOF is negatively correlated with board meetings (BMEET), firm age, and firm size(FSIZE). However, we found that family-owned organizations are negatively correlated with firm age (FAGE) and firm size (FSIZE), which implies that family-owned firms are younger and less profitable. Furthermore, board meetings and firm size are positively correlated (r = 0.2112). This infers that board activity enhances the firm's probability. However, the correlation between firm age and growth are negative with each other (r = -0.0722). This infers that growth decreases with the age of the firm. Likewise, firm size and leverage are negatively correlated (r = -0.2971), Which infers that larger firms do not depend on debt financing, they mostly use their capital in the business. However, in the Shapiro-Wilk statistic, all variable's values are statically significant at a 1% level. This implies that the data is normally distributed in our study. Furthermore, Table 5 also reports that multicollinearity does not exist

among variables in our study, as coefficients are less than 0.9 in Pearson correlation (Bertin & Iturriaga, 2014..

Table 4: Pairwise Correlations

	DACC_JM	DACC_MJM	DACC_PM	CEOF	FOWN	BMEET	FAGE	FSIZE	LEV	GROWTH
DACC_JM	1									
DACC_MJM	0.999***	1								
DACC_PM	0.999***	0.999***	1							
CEOF	-0.0320	-0.0320	-0.0323	1						
FOWN	-0.0277	-0.0278	-0.0272	0.1146***	1					
BMEET	0.1198***	0.1197***	0.1198***	-0.1037***	0.0164	1				
FAGE	-0.0795**	-0.0794**	-0.0791**	-0.1592***	-0.139***	-0.0209	1			
FSIZE	-0.354***	-0.3547***	-0.3542***	-0.0644*	-0.118***	0.211***	0.0272	1		
LEV	0.2541***	0.2544***	0.2547***	-0.0355	0.007	-0.0457	-0.0227	-0.2971***	1	
GROWTH	-0.0047	-0.0051	-0.0050	0.0292	0.0134	0.0300	-0.0722**	0.0249	-0.0142	

Note: *, **, and ******* indicate statically significance at 0.10, 0.05, and 0.01 confidence level, respectively.

4.3 Penal regression results

Models 1–3 are the baseline models of this study and their results from panel regression are reported in Table 5. We use three measures of earnings management in penal regression models. The Jones models (DACC_JM), modified Jones models (DACC_MJM), and performance-matched models (DACC_PM) Models 1–3 were estimates to examine H1, H2, and H4. The Wald-statistics values of all three Models 1–3 suggested that all penal data have sufficient explanatory power, as they are significant at the 10 percent level.

Table 5 presents the results of the family ownership (FOWN), which shows that (FOWN) has a negative and significant impact on earnings management. These all models are significant at the 1 percent level. Their values are; Model 2a (β = -0.6786, p < 1%), Model 2b (β = -0.6797, p < 1%), and Model 2c (β = -0.7537, p < 1%). This implies that firms that have family members on board are less engaged with earnings management. Hence, our finding is consistent with *H1*. In addition, according to agency theory, firms, which have their family members on the board mostly, concern the interests of both shareholders (Ghaleb et al., 2020). Family firms more focus on long-term firm performance and they want to maintain their reputation, this intensive approach discourages family members from earnings management (Wang, 2006; Ghaleb et al., 2020). However, our finding is consistent with earlier papers, which have suggested earnings management and family ownership have a negative relationship with each other (Cancino et al., 2010; Hashmi, Brahmana, & Lau, 2018; Paiva, Lourenco, & Curto, 2019; Muhammad & Wasiuzzaman, 2020).

However, we also found a negative and significant relationship between the --founding CEO (CEOF) and earnings management in different models. The results of three different models are; Model 1a (β = -2.0435, p < 1%), Model 1b (β = -2.0897, p < 1%), and Model 1c (β = -2.2179, p < 1%). All models are significant at the 1 percent level. These results are almost the same for all three models. Hence, our results support *H2* and are consistent with several prior studies. These results imply that in founding CEO firms, the abnormal accruals are low because they want to maintain their reputation and control over the firm (Martin et al., 2016). Furthermore, our results are consistent with the majority of the previous literature (Martin et al., 2016; Ballesta & Meca, 2007; Yoe, Tan, Ho, & Chen, 2002).

Moreover, our result is also in line with agency theory, which states that founder CEOs are more concerned firm's interest, which automatically decreases the earnings manipulation in firms (Gamra & Ellouze, 2021).

In addition, the findings presented in Table 5 show that board meetings (BMEET) hold a positively correlational and statistically significant relationship to all the phenomena with the varying degrees of accrual impact in all the tested models. In particular, the coefficients in the third model a (3a) (β = 0.3338, p < 1%), model b (3b) (β = 0.3359, p < 1%) and model c (3c) (β = 0.3427, p < 1%) are all statistically significant, which hold 10% significance across all the models. These findings are in contradiction to the stated hypothesis H4, thus warranting its rejection. The findings indicate that the more frequent the board meetings, the greater the level of discretionary accruals which most likely reflects reactive governance where boards are provoked to deal with operational and or financial predicaments within the company, and with such a practice, they may resort to managing earnings to deal with the problem at hand within the company (Dinatu, 2020). Nevertheless, this contradicts the position by Xie, Davidson, and Dadalt (2011) that board meetings generally improve the effectiveness of monitoring.

Table 5: Panel Regression Results – Baseline Models

	Expected Signs	**(1a) DA_JM**	**(1b) DA_MJM**	**(1c) DA_PM**	**(2a) DA_JM**	**(2b) DA_MJM**	**(2c) DA_PM**	**(3a) DA_JM**	**(3b) DA_MJM**	**(3c) DA_PM**
CEOF	-	-2.0435*** (0.4432)	-2.0897*** (0.4505)	-2.2179*** (0.4446)						
FOWN	+/-				-0.6786*** (0.2349)	-0.6797*** (0.2352)	-0.7537*** (0.2286)			
BMEET	+/-							0.3338*** (0.0833)	0.3359*** (0.0832)	0.3427*** (0.0835)
FAGE	-	-0.0375*** (0.0072)	-0.0388*** (0.0072)	-0.0405*** (0.0070)	-0.0429*** (0.0069)	-0.0435*** (0.0069)	-0.0455*** (0.0068)	-0.0116* (0.0061)	-0.0116* (0.0061)	-0.0116* (0.0061)
FSIZE	-	-3.4400*** (0.3581)	-3.5401*** (0.3548)	-3.5928*** (0.3539)	-3.5221*** (0.3520)	-3.6117*** (0.3502)	-3.6490*** (0.3507)	-1.952*** (0.2746)	-1.966*** (0.2745)	-1.9643*** (0.2760)
LEV	+	2.5007*** (0.1149)	2.4739*** (0.1141)	2.4667*** (0.1127)	2.4754*** (0.1120)	2.4547*** (0.1115)	2.4157*** (0.1098)	2.4557*** (0.1585)	2.4598*** (0.1578)	2.4731*** (0.1590)
GROWTH	+	0.5232*** (0.1164)	0.5187*** (0.1138)	0.5057*** (0.1142)	0.5334*** (0.1118)	0.5310*** (0.1102)	0.5049*** (0.1103)	0.2395 (0.1505)	0.2282 (0.1513)	0.2377 (0.1517)
Constant		24.647*** (2.6130)	25.410*** (2.5928)	25.9461*** (2.5772)	25.4532*** (2.5248)	26.1207*** (2.5120)	26.6773*** (2.5084)	11.754*** (1.8063)	11.853*** (1.8067)	11.7851*** (1.8298)
Year Dummy		Included	Included	Included	Included	Included	Included	Included	Included	Included
Industry Dummy		Included	Included	Included	Included	Included	Included	Included	Included	Included
Wald statistic		1034.24***	1039.67***	1057.55***	1072.25***	1084.70***	1095.10***	335.09***	340.34***	341.11***
No. of observations		750	750	750	750	750	750	750	750	750

Table 6 presents the results from the panel data regression, specifically the analysis of the moderating impact of family ownership on the relationship between founding CEOs, board meetings, and management of earnings. Models 4 and 5 are constructed to analyse Hypotheses H3 and H5, respectively. The models are statistically significant at the 1 percent level. In Model 4, the interaction term for founding CEO and family ownership (CEOF × FOWN) has a negative value which is statistically significant for all the accrual-based measures: the Jones (β = −2.1929, p < 1%) and the

Modified Jones (β = −2.3151, p < 1%) and the Performance-Matched (β = −2.2701, p < 1%) models. This shows that family ownership negatively moderates the relationship between founding CEOs and management of earnings. This means that if the CEO is from the controlling family, the company is less likely to engage in management of earnings. Thus, Hypothesis H3 is supported.

In summary, the findings suggest that while the frequency of board meetings may not act as an effective control on the practice of managing earnings, the effect of family ownership especially when coupled with a founder at the helm appears to reinforce elements of governance and curtail the use of discretionary accruals. This assessment is consistent with previous research that underlines the family's role in increasing the motivation to monitor and lessening the agency problem (Sciascia & Mazzola, 2008, Ali, Chen, & Radhakrishnan, 2007, Kapoor & Goel, 2020).

Furthermore, Table 6 also suggests that the coefficient of BMEET*FOWN is negative and significant in Model 5. Jones model (β = -0.8003, p < 1%), modified Jones model (β = -0.7980, p < 1%), and performance-matched model (β = -0.7706, p < 1%). However, Table 6 also suggests that all models are significant at a 1 percent level. This infers that family ownership moderates the relationship between board meetings and earnings management and hurts this relationship. Furthermore, the presence of family members at board meetings can enhance the monitoring activity of managers and protect the quality of information related to accounting. Hence, our finding is consistent with *H5*. Based on the above discussion we can accept *H5*. Table 6 also reported the Wald-statistics values, which suggested that both penal data models 4 and 5 are statistically significant at a 1 percent level and have explanatory power to explain these variables.

Table 6: Panel Regression Results – Interaction Models

	Expected Signs	**(4a) DA_JM**	**(4b) DA_MJM**	**(4c) DA_PM**	**(5a) DA_JM**	**(5b) DA_MJM**	**(5c) DA_PM**
CEOF	-	-1.0178***	-1.0359***	-1.2449***			
		(0.3852)	(0.3933)	(0.3933)			
FOWN	+/-	-0.7300***	-0.7344***	-0.7906***	4.2750***	4.2580***	4.1368***
		(0.2349)	(0.2359)	(0.2310)	(1.1243)	(1.1243)	(1.1266)
BMEET	+/-				0.5382***	0.5453***	0.5389***
					(0.1120)	(0.1116)	(0.1118)
CEOF*FOWN	-	-2.1929***	-2.3151***	-2.2701***			
		(0.6825)	(0.7057)	(0.7142)			
BMEET*FOWN	-				-0.8003***	-0.7980***	-0.7706***
					(0.2000)	(0.2001)	(0.2002)
FAGE	-	-0.0459***	-0.0469***	-0.0487***	0.0010	0.0014	0.0009
		(0.0075)	(0.0074)	(0.0074)	(0.0066)	(0.0065)	(0.0065)
FSIZE	-	-3.6035***	-3.6837***	-3.7052***	-1.9891***	-2.0116***	-1.9886***
		(0.3593)	(0.3581)	(0.3590)	(0.3020)	(0.3020)	(0.3019)
LEV	+	2.4614***	2.4455***	2.4149***	2.6563***	2.6567***	2.6632***
		(0.1139)	(0.1138)	(0.1123)	(0.1491)	(0.1487)	(0.1490)
GROWTH	+/-	0.5409***	0.5410***	0.5164***	0.2915*	0.2695*	0.2798*
		(0.1169)	(0.1154)	(0.1156)	(0.1562)	(0.1559)	(01559)
Constant		26.2485***	26.8650***	27.2966***	10.2005***	10.3314***	10.2128***
		(2.6365)	(2.6269)	(2.6272)	(1.8833)	(1.8836)	(1.8820)

Year Dummies	Included	Included	Included	Included	Included	Included
Industry Dummies	Included	Included	Included	Included	Included	Included
Wald statistic	1069.42***	1079.41***	1090.30***	455.96***	461.57***	457.99***
No. of observations	750	750	750	750	750	750

Robustness Discussion:
To enhance the robustness and credibility of the findings, the study tested earnings management using three commonly applied models: Jones, Modified Jones, and Performance-Matched. The findings stayed consistent across all three models, showing that the results do not depend on any single model. Important variables such as CEO founder, Family ownership, and Board meetings also maintained the same direction and significance in each estimation, which strengthens confidence in the stability of the coefficients. Year and industry fixed effects were included to capture broader economic conditions and sector-level differences, helping reduce omitted-variable concerns and improving the credibility of the results. The correlation matrix showed values well below 0.9, confirming that multicollinearity is not an issue and that the estimates remain reliable. Although the Shapiro–Wilk test indicated non-normality, something typical in financial panel data, the use of robust standard errors ensures that the conclusions remain valid. Additionally, the interaction terms (CEOFFOWN and BMEETFOWN) produced consistent results across all three models, reinforcing that the moderation effects are stable and not influenced by the choice of estimation method.

5. Conclusion

The aim of this study is to identify the relationship between board meetings (BM), family ownership (FO), founding CEOs, and earnings management in Pakistan. The findings indicate that founding CEOs are negatively associated with earnings management across all models, supporting the view that founder-led firms prioritize long-term reputation and transparent reporting. Consistent with agency theory and previous evidence (Muhammad & Wasiuzzaman, 2020). Family-owned firms exhibit lower discretionary accruals than non-family firms. Additionally, the analysis reveals a positive relationship between board meeting frequency and earnings management, suggesting that frequent meetings may reflect weak monitoring effectiveness rather than enhanced oversight. Robustness checks using three discretionary accrual models confirm the consistency of these findings.

The study contributes to the corporate governance and earnings management literature in several ways. Theoretically, it integrates founder leadership, family ownership, and board activity within the framework of agency theory, offering evidence on how Type I and Type II agency conflicts operate in an emerging market. By showing how family ownership moderates the behavior of founders and boards, the study deepens understanding of governance dynamics in concentrated ownership environments. Practically, the findings offer insights for investors, regulators, and policymakers. Investors may consider founder-led and family-controlled firms as relatively more conservative in financial reporting. Regulators such as SECP can use the results to strengthen governance codes by improving board monitoring standards and ensuring minority shareholder representation. These reforms may enhance reporting quality and reduce the potential for earnings manipulation in family-dominated firms.

Although the study offers valuable insights, several limitations should be acknowledged. First, the analysis is limited to Pakistani listed firms, which may restrict the generalizability of the findings to other institutional settings. Second, the study focuses primarily on accrual-based earnings management; other dimensions, such as real earnings management or financial reporting conservatism, were not incorporated due to data constraints. Third, the study does not explore additional governance variables such as board independence, ownership dispersion, or audit committee characteristics that may influence reporting quality.

Future research may address these limitations by conducting cross-country comparative studies to explore how institutional environments, cultural factors, and regulatory systems shape the behavior of firms in developed and undeveloped countries. Researchers could also checked the combined effect of family ownership, founder involvement, and board processes on AEM, REM and other reporting quality indicators. Additionally, future studies may incorporate with board diversity, CEO duality, audit committee diligence, or corporate governance index, which gives complete understanding of governance rule and it's compliances in emerging markets.

References

Abdullah, Hashmi, M. A., Mateen, A., Badshah, Y. A., & Iqbal, M. S. (2022). Does tax aggressiveness and cost of debt affect firm performance? The moderating role of political connections. *Cogent Economics & Finance*, *10*(1), 2132645.

Adiguzel, H. (2025). Corporate governance, family ownership and earnings management: Emerging market evidence. Accounting and Finance Research.

Ali, A., Chen, T. Y., & Radhakrishnan, S. (2007). Corporate disclosures by family firms. *Journal of accounting and economics*, *44*(1-2), 238-286.

Alodat, A. Y., Salleh, Z., Hashim, H. A., & Sulong, F. (2022). Corporate governance and firm performance: Empirical evidence from Jordan. *Journal of Financial Reporting and Accounting*, *20*(5), 866-896.

AlQadasi, A., & Abidin, S. (2022). Family ownership and financial reporting outcomes. International Journal of Accounting.

Ansari, I. F., Goergen, M., & Mira, S. (2021). Earnings management around founder CEO reappointments and successions in family firms. *European Financial Management*, *27*(5), 925-958.

Ashbaugh, H., Collins, D. W., & LaFond, R. (2004). Corporate governance and the cost of equity capital (Working Paper). Madison, WI: University of Wisconsin.

Ashraf, J., & Ghani, W. I. (2005). Accounting development in Pakistan. *The international journal of accounting*, *40*(2), 175-201.

Baker, T. A., Lopez, T. J., Reitenga, A. L., & Ruch, G. W. (2019). The influence of CEO and CFO power on accruals and real earnings management. *Review of Quantitative Finance and Accounting*, *52*, 325-345.

Basu, A., & Liang, S. (2021). Founder CEOs and financial reporting quality. Accounting Research Journal.

Bao, S. R., & Lewellyn, K. B. (2017). Ownership structure and earnings management in emerging markets—an institutionalized agency perspective. *International Business Review*, *26*(5), 828-838.

Ben Saad, H., & Baccouche, S. (2023). Corporate governance and agency conflicts in emerging economies. Research in International Business and Finance.

Bertin, M. J., & Iturriaga, F. L. (2014). Earnings management and the contest to the control: An international analysis of family-owned firms. *Spanish Journal of Finance and Accounting*, *43* (4), 355–379.

Boone, A.L., Field, L.C., Karpoff, J.M. & Raheja, C.G. (2007). The determinants of corporate board size and composition: an empirical analysis. *Journal of Financial Economics*, *85* (1), 66-101.

Bouaziz, D., Salhi, B., & Jarboui, A. (2020). CEO characteristics and earnings management: empirical evidence from France. *Journal of Financial Reporting and Accounting*, *18* (1), 77-110.

Chen, G., Firth, M., Gao, D. N., & Rui, O. M. (2006). Ownership structure, corporate governance, and fraud: Evidence from China. *Journal of corporate finance*, *12*(3), 424-448.

Chen, X., Huang, Z., & Liang, H. (2021). Corporate governance and financial reporting quality in emerging economies. Emerging Markets Review.

Cheng, E. C., & Courtenay, S. M. (2006). Board composition, regulatory regime, and voluntary disclosure. *The international journal of accounting*, *41*(3), 262-289.

Claessens, S., Djankov, S., & Lang, L. H. (2000). The separation of ownership and control in East Asian corporations. *Journal of Financial Economics*, *58*(1-2), 81-112.

Durendez, A., & Madrid-Guijarro, A. (2018). The impact of family influence on financial reporting quality in small and medium family firms. *Journal of Family Business Strategy*, *9*(3), 205–218.

Espinoza Aguiló, T. I., & Espinoza Aguiló, N. F. (2012). Family business performance: evidence from Mexico. *Cuadernos de Administración*, *25*(44), 39-61.

Fama, E.F. & Jensen, M.C. (1983). Separation of ownership and control. *The Journal of Law and Economics*, *26* (2), 301-325.

Fan, J. P., Wei, K. J., & Xu, X. (2011). Corporate finance and governance in emerging markets: A selective review and an agenda for future research. *Journal of Corporate Finance*, *17*(2), 207-214.

Fan, J.P.H. & Dan Wong, T.J. (2002). Corporate ownership structure and the informativeness of accounting earnings in East Asia. *Journal of Accounting and Economics, 33*(3), 401-425.

Ferris, S. P., Jagannathan, M., & Pritchard, A. C. (2003). Too busy to mind the business? Monitoring by directors with multiple board appointments. *The Journal of Finance, 58*(3), 1087-1111.

Gamra, A. B., & Ellouze, D. (2021). Family ownership and accrual-based earnings management: Evidence from Tunisia. *Asian Academy of Management Journal of Accounting and Finance*, *17*(1), 93-124.

Gavana, G., Gottardo, P., & Moisello, A. M. (2017). Earnings management and CSR disclosure. Family vs. non-family firms. *Sustainability*, *9*(12), 2327.

Gerged, A. (2021). Board activity and earnings manipulation in developing countries. *Journal of Corporate Accounting & Finance.*

Ghaleb, B.A.A., Kamardin, H. & Tabash, M.I. (2020). Family ownership concentration and real earnings management: Empirical evidence from an emerging market, *Cogent Economics & Finance*, *8*(1), 1751488,

Haniffa, R. M., & Cooke, T. E. (2002). Culture, corporate governance and disclosure in Malaysian corporations. *Abacus*, *38*(3), 317-349.

Hashmi, M. A., Brahmana, R. K., & Lau, E. (2018). Political connections, family firms, and earnings quality. *Management Research Review*, *41*(4), 414-432.

Hashmi, M. A., Brahmana, R. K., & Lau, E. (2018). Political connections, family firms, and earnings quality. *Management Research Review*, *41*(4), 414-432.

Jaggi, B., Leung, S., & Gul, F. (2009). Family control, board independence, and earnings management: Evidence based on Hong Kong firms. *Journal of accounting and public policy*, *28*(4), 281-300.

Jensen, M. & Meckling, W. (1976). Theory of the firm: managerial behavior, agency costs, and ownership structure. *Journal of Financial Economics*, *3* (4), 305-360.

Kapoor, N., & Goel, S. (2019). Do diligent independent directors restrain earnings management practices? Indian lessons for the global world. *Asian Journal of Accounting Research*, *4*(1), 52-69.

Khuong, N. V., & Liem, N. T. (2023). Earnings management and investor confidence in emerging markets. *Journal of Asian Finance*, Economics and Business.

Kumala, R., & Siregar, S. V. (2021). Corporate social responsibility, family ownership, and earnings management: the case of Indonesia. *Social Responsibility Journal*, *17*(1), 69-86.

Li, S., Ho Park, S., & Shuji Bao, R. (2014). How much can we trust in the financial report? Earnings management in emerging economies. *International Journal of Emerging Markets*, *9*(1), 33-53.

Lourenço, I. C., Branco, M. C., & Curto, J. D. (2018). Timely reporting and family ownership: the Portuguese case. *Meditari Accountancy Research*, *26*(1), 170-192.

Martin, G., Campbell, J. T., & Gomez-Mejia, L. (2016). Family control, socio-emotional wealth and earnings management in publicly traded firms. *Journal of Business Ethics, 133*(3), 453-469.

Minichilli, A., Corbetta, G., & MacMillan, I. C. (2010). Top management teams in family-controlled companies:'familiness', 'faultlines', and their impact on financial performance. *Journal of Management Studies*, *47*(2), 205-222.

Mohammad, W. M. W., & Wasiuzzaman, S. (2020). Effect of audit committee independence, board ethnicity, and family ownership on earnings management in Malaysia. *Journal of Accounting in Emerging Economies*, *10*(1), 74–99.

Muñoz-Bullon, F., Sanchez-Bueno, M.J. & Suárez-González, I. (2018). Diversification decisions among family firms: the role of family involvement and generational stage. *BRQ Business Research Quarterly*, *21*, (1), 39–52.

Murni, S., Rahmawati, R., Widagdo, A. K., Sudaryono, E. A., & Setiawan, D. (2023). Effect of family control on earnings management: *The role of leverage. Risks*, *11*(2), 28.

Mustapha, M. & Che Ahmad, A. (2011). Agency theory and managerial ownership: evidence from Malaysia. *Managerial Auditing Journal*, *26* (5), 419-436.

Oswald, S.L., Muse, L.A. & Rutherford, M.W. (2009). The influence of large stake family control on performance: Is it agency or entrenchment? *Journal of Small Business Management*, *47* (1), 116-135.

Paiva, I. S., Lourenço, I. C., & Dias Curto, J. (2019). Earnings management in family versus non-family firms: the influence of analyst coverage. *Spanish Journal of Finance and Accounting/Revista Española de Financiación y Contabilidad*, *48*(2), 113-133.

Purkayastha, S., Veliyath, R., & George, R. (2022). Type I and type II agency conflicts in family firms: An empirical investigation. *Journal of Business Research*, *153*, 285-299.

Purkayastha, S., Veliyath, R., & George, R. (2022). Agency conflicts in family firms: Evidence from emerging markets. Journal of Business Research.

Razzaque, R. M. R., Ali, M. J., & Mather, P. R. (2016). Real earnings management in family firms: Evidence from an emerging economy. *Pacific-Basin Finance Journal*, *40*, 237-250.

Sciascia, S., & Mazzola, P. (2008). Family involvement in ownership and management: Exploring nonlinear effects on performance. *Family Business Review*, *21*(4), 331-345.

Srinidhi, B. N., He, S., & Firth, M. (2014). The effect of governance on specialist auditor choice and audit fees in U.S. family firms. *The Accounting Review*, *89* (6), 2297–2329.

Suryadnyana, N. A., Astami, E., & Rusmin, R. (2025). The impact of family firms on financial reporting quality: The mediating role of high-quality auditors. *Journal of Risk and Financial Management*, *18*(6), 295.

Wang, D. (2006). Founding family ownership and earnings quality. *Journal of Accounting Research*, *44*(3), 619–656.

Xie, B., Davidson III, W. N., & DaDalt, P. J. (2003). Earnings management and corporate governance: the role of the board and the audit committee. *Journal of corporate finance*, *9*(3), 295-316.

Yoe, G. H. H., Tan, P. M. S., Ho, K. W., & Chen, S. S. (2002). Corporate ownership structure and the informativeness of earnings. *Journal of Business Finance & Accounting*, *29*, 1023-1046.