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CEO traits and dividend persistence as determinants of accounting information's value relevance

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Abstract

This study examines how CEO characteristics (tenure, family affiliation, origin) and dividend persistence influence the value relevance of accounting information (VR) in Indonesian listed firms, where family ownership and weak enforcement may affect market responsiveness to governance signals. Using a balanced panel of 226 publicly listed firms (1,130 firm-year observations) from 2018 to 2022, we measure VR using firm-specific R² from Ohlson [1] regressions. A two-step robust System GMM estimator with collapsed instruments is applied to address dynamic panel bias, endogeneity, and unobserved heterogeneity. Findings reveal that prolonged CEO tenure significantly diminishes value relevance, reflecting entrenchment risks within Indonesia's family-controlled firms. EO origin, family CEO status, and dividend persistence show positive but statistically insignificant relationships with VR, indicating that governance traits alone may not differentiate market valuations under Indonesia's institutional context. Practical implications highlight the need for governance reforms to curb CEO entrenchment and regulations to enhance financial reporting quality, market responsiveness, and investor protection within Indonesia's unique institutional framework.

Keywords: CEO characteristics, Dividend persistence, Indonesia, Value relevance.

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Transparency: The authors confirm that the manuscript is an honest, accurate, and transparent account of the study; that no vital features of the study have been omitted; and that any discrepancies from the study as planned have been explained. This study followed all ethical practices during writing.

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1. Introduction

Financial statement quality remains crucial as investors rely on accounting information for decision-making. While financial fraud constitutes only 5% of global economic crimes, it causes disproportionately large financial losses compared to asset misappropriation and corruption [2]. High-profile scandals (e.g., Enron, WorldCom) have undermined trust in the accounting information presented in the financial statements, despite their intended purpose of providing decision-useful information, highlighting the need for high-quality financial statements. Value relevance, encompassing both relevance and faithful representation [3] reflects how accounting information, such as book value and earnings, is useful and capable of capturing firm value [4]. Prior research presents mixed evidence on the value relevance of accounting information. While some studies report a decline in the value relevance of book value and earnings [5] others find no such trend [6, 7]. In Indonesia, Suwardi [8] demonstrates time-varying value relevance from 2002 to 2018, prompting debate about its determinants.

The existing literature has predominantly focused on macro-level determinants of value relevance, including institutional factors such as IFRS adoption [9] and macroeconomic conditions [10]. However, these studies have largely overlooked the critical role of micro-level, firm-specific factors, particularly CEO characteristics and dividend policies in shaping the value relevance of accounting information. While IFRS adoption aims to enhance quality and value relevance through improved comparability [11, 12], its benefits may be limited in emerging markets with weak enforcement, greater investment risks, limited capital availability, and poor investor protection [13]. This oversight is especially pronounced in the context of family-dominated emerging economies like Indonesia, where concentrated ownership structures and weak investor protection laws create distinct agency dynamics [14, 15]. The current study seeks to address this gap by examining how CEO tenure, CEO origin, CEO familial affiliation, and dividend persistence influence the value relevance of accounting information in these unique institutional environments.

Ball et al. [16] argue that in weak regulatory environments, managerial incentives, particularly CEO characteristics, outweigh accounting standards in determining accounting information quality. Grounded in agency theory [17], which suggests that managerial incentives significantly impact corporate decision-making in the presence of information asymmetry between principal and agent, this study develops four key hypotheses regarding the determinants of the value relevance of accounting information. First, we posit that long-tenured CEOs, who may become entrenched and less accountable, are associated with reduced value relevance of accounting information [18]. Second, we hypothesize that externally recruited CEOs diminish value relevance due to their heightened pressure to deliver immediate results and greater information asymmetry relative to internal hires [19]. Third, we argue that family CEOs present a dual effect: while they may align owner-manager interests (reducing traditional Type I agency costs), they may simultaneously exacerbate Type II agency conflicts by expropriating minority shareholders, particularly in weak governance environments [20, 21]. Finally, we contend that persistent dividend payouts reduce agency costs and enhance value relevance by serving as a credible signal of earnings quality and constraining managers' ability to manipulate cash flows [22].

This study considers Indonesia's unique institutional context, characterized by a two-tier corporate governance system, dominant family-owned businesses, and a collectivist, high-power-distance cultural orientation [23, 24]. These factors create unique agency dynamics that may amplify or mitigate financial reporting risks. Indonesia's two-tier governance system, which separates supervisory and management roles, theoretically strengthens oversight but faces challenges in practice. The enactment of Firm Law No. 40/2007 implies that the General Meeting of Shareholders is the highest decision-making body, leading to a lack of effectiveness in the supervisory board's oversight function over the Board of Directors [21]. This structure often leads to weak board independence, as family members not only hold the majority of shares but also occupy both executive and supervisory roles, undermining checks and balances within a firm, which may affect the value relevance of accounting information.

This study extends research on the value relevance of accounting information by focusing on CEO characteristics and dividend persistence in emerging markets, where prior studies have predominantly examined developed economies [5]. Moreover, previous literature examining CEO characteristics and dividend persistence has been limited to its influence on firm performance, firm value, or earnings quality [25-28]. Meanwhile, previous literature on the antecedents of the value relevance of accounting information mostly focused on the impact of IFRS adoption [13, 29, 30], political connections, macroeconomic factors, and financial crises [31]. Other researchers focus on internal firm factors such as negative earnings [32], CEO turnover [33], accounting standards [34], accounting conservatism [35], dividend payments [22] as well as corporate governance [35]. Our study fills this gap in the literature by highlighting the role of CEO characteristics and dividend persistence in determining the variance of the value relevance of accounting information. The study also addresses methodological critiques of traditional price/return models by employing an alternative approach regressing CEO and dividend variables against R^2 derived from Ohlson [1] model to better capture value relevance.

Our findings reveal that extended CEO tenure significantly reduces the value relevance of accounting information, pointing to entrenchment risks in firms with long-standing leadership. While CEO origin, family affiliation, and dividend persistence show no significant effects. From a practical perspective, our findings offer important insights for multiple stakeholders. Investors operating in emerging markets may benefit from incorporating CEO characteristics into their financial statement analysis frameworks. Policymakers and regulators could leverage these insights to develop more targeted governance reforms, particularly in markets dominated by family-controlled firms. Corporate boards may find value in our results when making executive recruitment and compensation decisions.

The remainder of this paper is organized as follows. Section 2 reviews the relevant literature and develops hypotheses. Section 3 describes the research methodology and data, while Section 4 presents the empirical results, discusses the findings, and their implications. The final section concludes with limitations and directions for future research.

2. Literature Review and Hypothesis Development

The tenure of top managerial executives has been extensively studied by scholars because of its significance in forecasting corporate performance [36]. The CEO is typically viewed as the individual with the greatest influence within a firm or organization. All significant business decisions are the responsibility of the CEOs, including the dissemination of financial information and the composition of the board of directors. Prior study literature suggests that the motivations and incentives for CEOs to manipulate financial reports are somewhat attributable to the stress and challenges encountered during their tenure [37]. Long-term CEOs may have developed stronger social and business networks, potentially facilitating the resolution of complex issues concerning knowledge, technology, and capital accumulation [38]. However, long-tenured CEOs may have the horizon problem a situation where the CEO's motivation and incentives to prioritize the interests of the organization tend to decrease as their departure date approaches [18]. Long-tenured CEOs with a deep understanding of corporate operations are expected to engage in earnings management to report increased earnings, thereby achieving their goals of improving firm performance and securing personal benefits during or after their tenure Wang et al. [39]. Solomon and Solomon [40] Contends that a longer CEO's tenure enhances authority and power, perhaps facilitating the CEO's entrenchment by undermining the efficacy of board scrutiny. Alhmood et al. [41] corroborates this finding by providing evidence that a long-tenured CEO increases the potential for earnings management practices. while Ali and Zhang [18] found that CEO tend to perform earnings management in their final year.

The findings of those studies suggest that long-tenured CEOs adversely impact the quality of financial reports and, consequently, the value relevance of accounting information. The prevalence of family ownership in Indonesia creates entrenched leadership where extended tenure leads to reduced oversight and increased earnings manipulation. Cultural dimensions like high power distance discourage board challenges, while collectivism prioritizes family loyalty over transparent reporting [24]. These intersecting factors create an institutional environment where long-tenured CEOs face minimal accountability, often resulting in suboptimal governance practices and decision-making that favor entrenched family interests over broader corporate objectives. Therefore, we propose the first hypothesis as follows:

H₁: CEO tenure is negatively associated with the value relevance of accounting information.

Information asymmetry resulting in a conflict of interest between the agent and the principal may occur when the CEO is recruited externally. Over the past three decades, the trend of appointing CEOs from external sources has been increasingly common, particularly in Asian countries such as China, Japan, Korea, and Iran [42]. A CEO nominated externally will face a significantly different situation than one chosen internally. The internally appointed CEO has substantial expertise working with the board and other executives, successfully mitigating most information asymmetry issues [19]. Conversely, an external CEO faces heightened scrutiny from the board of directors during the post-succession phase. In these situations, an external CEO will strive to achieve immediate positive results that are apparent soon after taking office to showcase their capability to the board and investors, gain the respect of senior management and employees, and ensure stable leadership to maintain their position as the firm's leader [43].

External CEOs frequently invest significant efforts in improving short-term profitability and market valuation to substantiate their competencies and maintain their positions. This may lead to stronger incentives to misrepresent financial figures compared to those hired internally, compromising their quality and negatively impacting the relevance of the value. Kuang et al. [44]. Nurmayanti [45] illustrate that internally nominated CEOs generally present higher quality earnings than those recruited externally. The results of the empirical study suggest that the source of CEO recruitment can affect the quality of financial reporting. Given that Indonesian society exhibits a greater inclination toward collectivism than individualism [24] leading us to expect that CEOs in Indonesia are predominantly promoted from within, thereby mitigating the common issues associated with information asymmetry. Therefore, we proposed the following hypothesis:

H₂: Internally promoted CEO positively associated with value relevance of accounting information.

Alongside the tenure and recruiting sources of the CEO, the notion of knowledge asymmetry within the context of agency theory concerning CEO attributes is evident in CEOs appointed from the owner's family. The choice to designate a CEO from a familial or non-familial candidate is a significant organizational decision in a landscape characterized by family enterprises. According to agency theory, Jensen and Meckling [17] assert that concentrated ownership and the participation of family members in senior management positions, such as CEOs in family enterprises, can mitigate type I agency conflicts, which stem from the division between ownership and management. Family enterprises typically engage their relatives in management to mitigate the danger of conflicts of interest arising from non-family members. This is due to family managers possessing a more profound and comprehensive awareness of the firm's operations, therefore mitigating the challenges associated with the separation of ownership and control [46].

Consequently, a CEO who is a family member is less likely to alter accounting information in financial statements due to fewer agency costs stemming from aligned interests and reduced information asymmetry between the owner and the manager [20]. This occurs because the proprietors and administrators are relatives who seek to safeguard their family enterprise, leading to enhanced quality of financial reporting. High-quality financial accounts indicate that the accounting information provided possesses value and relevance for decision-making. Conversely, family CEOs may

engender type II agency conflicts, which are issues that occur between controlling and non-controlling shareholders [20]. Controlling shareholders may derive personal advantages from a CEO who is a relative, to the detriment of non-controlling shareholders' interests. Family CEOs are associated with a detrimental impact on firm performance [47] and firm value [48]. The situation may deteriorate when a country's legal framework is based on civil law, resulting in inadequate protection for non-controlling investors in the capital market [49]. Furthermore, Indonesia ranks among the lowest in individualism globally, according to Hofstede's Cultural Dimensions [24]. This indicates that Indonesian society exhibits a greater inclination towards collectivism, evidenced by a robust long-term dedication to its "groups," including family ties. Loyalty in collectivist cultures leads to the expropriation of minority shareholders through transactions that only benefit people connected to the majority shareholders. This circumstance can significantly influence the quality of accounting information in financial statements, consequently affecting the value relevance of accounting information. On this basis, the following hypothesis is developed:

H₃: The CEO family is negatively associated with the value relevance of accounting information.

Within agency theory, the conflict of interest between the principal and the agent may intensify when the principal cannot oversee the CEO's daily operations to guarantee that the CEO acts according to the shareholders' preferences. Myers [50] suggests that investors possess rights to the firm's assets but face challenges in preventing managers from misappropriating cash flow. Information asymmetry results in the principal being inadequately informed about the agent's performance, while the agent possesses greater knowledge of the firm. Meanwhile, Easterbrook [51] asserts that dividends can mitigate agency costs by facilitating the oversight of managerial activities and performance, particularly in instances of self-interest. Thus, management must consistently distribute adequate cash dividends to investors, as it informs the market about the firm's earnings quality [52]. Consistent dividends make earnings manipulation more difficult for management. They also limit the firm's free cash flow, reducing managers' discretionary spending.

Consistent dividend payments indicate high-quality accounting information because persistent earnings are high-quality earnings [22]. Although earnings increase, managers who manipulate earnings rarely give dividends because the increase is temporary [51]. Dividend payments, especially persistent ones, require current and future revenues and cash flows because reducing them might harm the firm's stock value and send negative signals. Any firm will struggle to maintain dividends with manipulated results; therefore, persistent dividends indicate firm performance, high-quality earnings, and value-relevant accounting information. Tong and Miao [53] found that dividend persistence improves earnings quality. Other research shows that companies with high-quality financial disclosure disperse higher profits and pay dividends consistently [54-56]. The high level of information opacity in Indonesia and family-dominated firms may exacerbate Type II agency conflicts by expropriating minority shareholders, particularly in weak governance environments [20]. Persistent dividends may signal reduced expropriation risk, as they limit free cash flow available for opportunistic family dealings. Therefore, dividend persistence might affect the quality of financial statements and the firm's value relevance of accounting information, which leads to our final hypothesis:

H₄: Dividend persistence is positively associated with the value relevance of accounting information.

3. Research Design

3.1. Data Selection

This study employs a balanced panel dataset of 226 publicly listed firms on the Indonesia Stock Exchange (IDX) from 2018 to 2022, resulting in 1,130 firm-year observations. The data was extracted through manual reviews of annual reports obtained from the IDX database for the period between 2018 and 2022, supplemented by cross-checking with reputable business databases such as OSIRIS and ESGI (www.esgi.ai) to ensure accuracy and consistency, we also extracted quarterly data from The Indonesia Capital Market Institute (TICMI) database to generate the firm-specific R^2 from the Ohlson [1] as the proxy for value relevance, capturing the extent to which accounting information explains market valuation, we employed regression analysis to generate the R^2 value for each firm-year. This analysis was conducted using at least thirty consecutive periods of quarterly accounting data, ranging from 2011 to 2023, because thirty years of annual data are not available from IDX or the firm's website. The Ohlson [1] also requires that the book value of equity is not negative in any quarter because firms with a negative book value of equity generate negative normal earnings (Ota, 2003). Therefore, our sampling criteria include firms listed at least since 2010 and with complete financial and non-financial data needed for the variables. The final annual data set comprised 226 firms or 1,130 firm-year observations.

3.2. Variable Measurements

Our hypotheses analyze how different CEO characteristics and dividend persistence affect the value relevance of accounting information. Various model specifications, which have mostly been used in the literature to test the value relevance of accounting information, employ either price regression models (Equation 1) or return regression models (Equation 2) or a combination of both, based on the theoretical framework of Easton and Harris [57] and Ohlson [1].

$$P_{it} = a_0 + a_1 EPS_{it} + a_2 BVPS_{it} + e_{it} \quad (1)$$

$$Ret_{it} = a_0 + a_1 E_{it}/MV_{i,t-1} + a_2 \Delta E_{it}/MV_{i,t-1} + e_{it} \quad (2)$$

In both models, an increase in the R^2 value from the regression results indicates that the variable has value relevance. However, the price regression model approach is criticized for size-related problems, while the return regression model is criticized for its low R^2 value [58]. This study attempted to address criticism by employing different approaches. Consistent with prior literature [59, 60] this study uses firm-specific R^2 from revolving quarterly Ohlson [1] regressions as the proxy for value relevance (VR). The Ohlson model links accounting information, including book value and earnings, to firm value, providing a theoretically grounded framework for assessing value relevance. The R^2 from these regressions reflects the proportion of variation in firm value explained by accounting information, aligning with the definition of value relevance as the ability of financial statements to capture information reflected in share prices. Utilizing revolving regressions enables us to measure time-varying firm-level value relevance across periods, which is critical in the Indonesian context where market conditions and firm disclosures can fluctuate due to regulatory, economic, and institutional factors. This approach avoids scale issues inherent in price models and the noise sensitivity of return models, providing a robust and interpretable measure of VR suitable for dynamic panel analysis.

Instead of using Equations 1 or 2 to test the influence of CEO characteristics and dividend persistence, this study uses the R^2 value of each firm as a proxy for the value relevance of accounting information (VR), thereby fully reflecting the Ohlson [1]. The R^2 value serves as the dependent variable, which will be regressed with CEO characteristics and dividend persistence as the independent variables in this study. The regression equation used to produce the R^2 value for each firm is as follows:

$$MP_{it} = \alpha OFV_{it} \quad (3)$$

The R^2 was obtained through revolving regression between the firm's value based on the Ohlson [1] and the market price over 32 quarters (Equation 3). For example, to calculate R^2 for 2022, the regression will use data from Q1 of 2015 to Q4 of 2022. This pattern continues until data from Q1 of 2011 to Q4 of 2018 is required for R^2 in 2018. Market price refers to market capitalization, calculated as the price per share multiplied by the total number of shares outstanding. The used price is the average closing price of the shares throughout seven days around the financial report's publication date, encompassing three days prior, the publication date itself, and three days after the publication date, to mitigate the effects of daily stock price volatility [61].

Before the regression in Equation 3 is performed, Ohlson's firm value (OFV) is first calculated based on the Ohlson [1] model using the following equation:

$$OFV_{it} = BVE_{it} + \alpha_1 AE_{it} + \alpha_2 OV_{it} \quad (4)$$

Equation 4 known as the Ohlson model, shows that firm value equals its book value plus abnormal earnings (AE) and other variables (OV). AE denotes profit above its normal level, while OV denotes the influence of non-accounting information on firm value, representing value derived from transactions or events that the accounting system has not yet captured. Ohlson [1] assumes that abnormal earnings obey the following time-series properties. Therefore, abnormal earnings (AE) and another variable (OV) can be calculated by the following formula in Equations 5 and 6, respectively:

$$AE_{t+1} = \omega AE_t + OV_t + \varepsilon_{1t+1} \quad (5)$$

$$OV_{t+1} = \gamma OV_t + \varepsilon_{2t+1} \quad (6)$$

The parameter ω in (5) denotes the persistence of abnormal earnings, while the parameter γ in (6) signifies the persistence of another variable. Ohlson [1] posits that ω and γ are predetermined and recognized. Assuming that, in the long term, the mean of abnormal earnings and other variables is zero, the values of both parameters are $0 \leq \omega < 1$ and $0 \leq \gamma < 1$, respectively. AE for period t is calculated by $E_t - rBV_{t-1}$ where E_t is earnings, and r is the risk-free interest rate. AE and the impact of OV in Equation 4 are scaled by a constant (α_1 and α_2), where $\alpha_1 \geq 0$ and $\alpha_2 > 0$. Once ω and γ are determined, α_1 and α_2 in Equation 4 can be calculated using the Equation 7 and 8; subsequently, OFV in Equation 4 can be determined.

$$\alpha_1 = \frac{\omega}{1 + r - \omega} \quad (7)$$

$$\alpha_2 = \frac{1 + r}{(1 + r - \omega)(1 + r - \gamma)} \quad (8)$$

The core explanatory variables include CEO Tenure, CEO Origin, Family CEO status, and Dividend Persistence, while ROA, leverage (DAR), firm size (lnSIZE), firm age (AGE), industry dummies (IND), and year effects are included as control variables. CEO Tenure (CEOTEN) is denoted by the number of years served as a CEO for the firm [37]. The Family CEO (CEOFAM) measurement employs a dummy variable by assigning a value of 1 when the CEO is a family member and 0 otherwise [47, 62]. CEO origin (CEOORI) is also measured as a dummy variable. The CEO is assigned a value of 1 if the initial appointment as CEO was an internal promotion, and 0 otherwise. Regarding dividend persistence (PDIV), a firm is assigned a value of 1 if it disburses dividends for five successive years from period $t-4$ to period t , and a value of 0 if it does not [55].

Following previous studies, we include numerous control variables in our analysis. We include firm size (SIZE) to control for political costs Watts and Zimmerman [63] and complexity [64], which is the natural logarithm of Total Assets [65]. We also control leverage (LEV), calculated as the Debt to Asset Ratio, since leverage could influence the incentive to manage earnings, which may affect the value relevance of accounting information [30, 34]. Moreover, we included profitability, measured by the return on assets ratio (ROA), since profitability is relevant to investment decision-making [66]. Additionally, we include the firm's age (AGE) as a control variable following Skinner and Soltes [67], who found that older firms have better value relevance of accounting information. Lastly, besides controlling for year-fixed effects, we also control for the type of industry, as our sample consists of all firms listed on the IDX. We designate the value of 1 to enterprises in the financial sector and 0 to those in the non-financial sector.

3.3. Model Specification

Given the potential for dynamic relationships in VR and endogeneity in governance variables, the dynamic panel model is specified as:

$$VR_{it} = \alpha VR_{it-1} + \beta X_{it} + \gamma Controls_{it} + \mu_i + \lambda_t + \alpha_6 LEV_{it} + e_{it} \quad (9)$$

where μ_i denotes unobserved firm-specific effects, and λ_t captures time-specific effects.

Given the dynamic structure of VR and potential endogeneity among governance variables, we employ the two-step robust System Generalized Method of Moments (System GMM) estimator [68, 69]. This approach addresses simultaneity, reverse causality, and unobserved heterogeneity while accommodating the lagged dependent variable to model VR persistence. System GMM utilizes internal instruments generated from lagged levels and differences of the variables, enabling the treatment of endogenous regressors while controlling for fixed effects. To prevent instrument proliferation, which can lead to overfitting and weaken the Hansen J-test for instrument validity [70], instrument reduction using the collapse option is applied during instrument matrix construction. This ensures the number of instruments remains below the number of groups, balancing estimation efficiency with the reliability of diagnostic tests. Arellano-Bond tests for AR(1) and AR(2) are conducted to confirm the absence of second-order autocorrelation, while the Hansen J-test assesses the validity of overidentifying restrictions to confirm instrument exogeneity. All estimations are performed using Windmeijer-corrected standard errors to adjust for potential downward bias under heteroskedasticity, ensuring robust inference on the determinants of value relevance within Indonesia's emerging market context.

4. Results

Table 1 presents the descriptive statistics of the variables based on the total sample of 1,130 firm-years. VR has a mean value of 0.313, with a maximum value of 0.984 and a minimum value of zero. This indicates notable variability in how relevant accounting information is perceived across firms. CEOs have served an average of 13.18 years. This suggests that CEOs in this study exhibit long-term stability.

Table 1.
Descriptive statistics.

Panel A: Continuous variables			
Variable	Std. Deviation	Min.	Max.
VR	.2684133	6.12e-07	0.9844614
CEOTEN	12.53653	0	51
SIZE (milRp)	1.80e+11	1.75e+07	1.99e+12
LEV	23.54643	.0102146	131.9612
ROA	8.38038	-50.32	92.1
AGE	15.74443	9	127
Panel B: Dichotomous Variables			
Variable	Percent	Cumulative percent	
CEOFAM			
Non-family	68.50	68.50	
Family related	31.50	100.00	
CEOORI			
External recruitment	19.12	19.12	
Internal promotion	80.88	100/00	
PDIV			
Not paid 5 successive years	67.35	67.35	
Paid 5 successive years	32.65	100.00	
Industry (IND)			
Non-financial	79.20	79.20	
Financial	20.80	100.00	

31.5% of CEOs are family-related, whereas 68.5% are non-family members, illustrating that family ties in leadership are less common in this sample. Most CEOs (80.88%) are promoted internally, with only 19.12% recruited externally, suggesting a preference for internal leadership succession. Finally, 67.35% did not maintain consistent dividend payouts over five consecutive years.

Using a two-step robust System GMM estimator with collapsed instruments to manage potential instrument proliferation, we examined the determinants of value relevance (VR) in a panel of 226 firms across 904 firm-year observations as presented in Table 2. The Hansen test ($p = 0.273$) and the Arellano-Bond AR (2) test ($p = 0.984$) confirm the validity of our instruments and the absence of second-order autocorrelation, ensuring the consistency of the estimates. The Wald test indicates the joint significance of the model ($\chi^2 = 1709.70$, $p < 0.001$).

The lagged value relevance (L1.VR) coefficient is positive and statistically significant ($\beta = 0.431$, $p = 0.002$), indicating moderate persistence in VR, consistent with dynamic capital market behavior where past firm valuation signals influence current valuations. Interestingly, CEO tenure shows a marginally significant negative association with VR ($\beta = -0.0016$, $p = 0.050$), suggesting that longer-tenured CEOs may be associated with lower market responsiveness or potential entrenchment, aligning with governance theories emphasizing the balance between experience and adaptability. This indicates support for H1. Return on assets (ROA) is positively associated with VR ($\beta = 0.0023$, $p = 0.045$), underscoring the role of profitability in enhancing the market's valuation of firms.

Table 2.
Results of Two-step robust System GMM with collapsed instruments.

Variable	Coefficient	Std. Error	z-value	p-value	Significance
Lagged VR (L1.VR)	0.4310	0.1420	3.04	0.002	** (significant, +)
CEO Tenure	-0.0016	0.0008	-1.96	0.050	* (significant, -)
CEO Origin	-0.0089	0.0236	-0.38	0.706	n.s.
Family CEO	0.0086	0.0194	0.44	0.659	n.s.
Dividend Persistence	0.0265	0.0221	1.20	0.229	n.s.
ROA	0.0023	0.0011	2.00	0.045	* (significant, +)
DAR (Leverage)	0.0002	0.0004	0.48	0.632	n.s.
ln(Size)	0.0008	0.0048	0.16	0.874	n.s.
Firm Age	-0.0007	0.0007	-0.94	0.347	n.s.
Industry Dummies	included				
Year Dummies	included				
Constant	0.1785	0.1259	1.42	0.156	
Wald $\chi^2(13)$, p-value	1709.70, <0.001				
Hansen J-test, p-value	$\chi^2(2)=2.60$, 0.273				
AR(1), p-value	z=-2.18, 0.029				
AR(2), p-value	z=0.02, 0.984				

Other independent variables, including CEO origin, CEO family affiliation, dividend persistence, and other control variables such as leverage (DAR), firm size, firm age, and industry controls, were not statistically significant in this specification, which indicates no support for the H2-H4. This suggests that while governance dynamics (via CEO tenure) and firm-level financial performance influence VR, other governance and structural characteristics may exert their effects indirectly or in interaction with other factors not captured in this baseline model.

5. Discussions

This study identifies a significantly negative relationship between CEOTEN and the VR, which supports H1. Aligning with agency theory, the long-tenured CEO may prioritize personal goals over shareholder value. The results support the perspective of Alhmood et al. [41] that long-tenured CEOs tend to experience the horizon problem, engaging them in manipulating earnings, which threatens the quality of accounting information. The findings align with agency theory by demonstrating the entrenchment effect of CEO tenure on VR, mainly when a long tenure in leadership does not translate into increased value relevance. In the context of Indonesian corporate culture, which generally prioritizes loyalty and prolonged leadership, long-serving CEOs may have continually diminished pressure to increase firm value through innovation or transparent processes [71]. Consequently, these findings indicate that shareholders and regulatory authorities in Indonesia could benefit from policies that oversee or restrict CEO tenure to prevent entrenchment and promote governance procedures that align managerial decisions with shareholder interests. This, in turn, may enhance the quality of financial reporting and the value relevance of accounting information.

The findings show that family ties (CEOFAM) have no significant impact on the VR. These results are noteworthy within Indonesia, where family businesses dominate the corporate landscape, and executive roles are often held by family members or individuals promoted from within. According to agency theory, family CEOs could mitigate agency problems through shared familial interests with shareholders [72]. However, this study's findings suggest that the founder's family, as majority shareholders, may exert dominance during the general meeting of shareholders [21] thereby influencing decisions and undermining the CEO's authority and the two-tier board structure. Family-controlled firms often exhibit poorer corporate governance practices [73]. Moreover, this study's average proportion of family

CEOs is less than that of non-family CEOs (see Table 1). Thus, it might be unrealistic to expect significant outcomes from the presence of a family CEO. The third hypothesis test implies that CEO origin yields statistically insignificant results. Promoting a CEO from within the organization or recruiting one externally does not influence investors' judgment of the value and significance of accounting information. This finding opposed Liu and Xue [19] who showed that shareholders preferred an insider CEO. However, it corroborates Byrka-Kita et al. [74] that investors seem to believe CEOs' origins will not improve managerial quality, firm performance, or create shareholder benefits. The muted effects of CEO origin and family affiliation reflect the Indonesian institutional environment, characterized by high family ownership and weak enforcement.

Dividend persistence has proven to be an insubstantial beneficial influence on value relevance. The results of this study identify an insignificant positive relationship between dividend persistence and the value relevance of accounting, which does not support H4. Firms that continuously distribute dividends for five consecutive years do not necessarily demonstrate increased significance of accounting information, indicating that persistent dividend distributions are not a robust indicator of firm stability and financial sustainability to investors. Investors in emerging markets with a high level of information opacity, such as Indonesia, frequently depend on observable indicators, such as regular dividend payments, to assess firm stability and financial health. This dependence increases in situations characterized by limited financial disclosure transparency and inadequate regulatory oversight. Signaling through persistent dividends turns out to be an insufficient mechanism to alleviate agency problems and offer reassurance to investors. The results oppose [53]. Moreover, this study's average proportion of firms paying dividends over five successive years is less than that of firms that did not pay dividends during the same period (see Table 1). Thus, it might be unrealistic to expect significant outcomes from persistent dividend policies.

6. Conclusions

Research on the value relevance of accounting information remains inconclusive given capital market volatility and evolving accounting standards. Prior studies have predominantly focused on IFRS adoption and earnings management, with limited attention to the role of CEO characteristics and dividend persistence, particularly in emerging market contexts. This study addresses this gap by examining Indonesia, a setting marked by information asymmetry, a two-tier governance structure, and weak regulatory enforcement. Our findings corroborate Ball et al. [16] and Hillier et al. [13] that accounting standards do not always correlate with financial report quality in the emerging country setting and are determined mainly by managerial incentives. Despite using IFRS to enhance financial reports, a long-tenured CEO motivated by management incentives may reduce the value relevance of accounting information, compromising shareholders' decision-making. This shows that Indonesian governance regulations must address entrenchment concerns and reflect shareholder objectives, where long-term leadership is valued.

We contribute to the literature on corporate governance and financial report quality in emerging economies, notably Indonesia, where familial relations impact the value relevance of accounting information. CEO characteristics, primarily CEO tenure, influence the value relevance of accounting information, reflecting the institutional and cultural features of Indonesian accounting practices. Therefore, our study assists regulators and shareholders in analyzing CEO roles in corporate governance to improve financial report quality for better decision-making. Regulators and shareholders should also limit the dominant role of concentrated ownership in family firms in Indonesia, especially considering Law No. 40/2007, which may increase entrenchment and harm the two-tier board system.

Using a regression model to investigate how exogenous variables affect the value relevance of accounting information, our work contributes to the literature on value relevance. This may provide alternatives to the Ohlson [1] price model or Easton and Harris [57] return model parameters. Although our model's R^2 value is relatively low, it mitigates the scale effect of a price regression model. This work represents the first empirical study using a new regression model to examine CEO attributes and dividend persistence on the value relevance of accounting information.

Future research may explore additional emerging economies to corroborate these findings and propose governance tools that might increase accounting information openness and value relevance in family-dominated firms. Finally, only CEO characteristics and dividend persistence are examined in this study. Different dividend policies, corporate governance practices, or CEO attributes may be included in future studies.

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