International Journal of Social Science Archives

ISSN: 2707-8892

Available at www.ijssa.com

International Journal of Social Science Archives, December, 2023, 6(3), 96-112

Socioemotional Wealth and Sustainable Earnings: Evidence from Emerging Markets

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***Abstract*:** This study strives to determine the influence of socioemotional wealth on sustainable earnings. The sample of the study was family firms from emerging Asian markets. By using the Feasible generalized least square method and quantile regression technique for panel data, the analysis reveals that SEW has been an essential ingredient in making the family firms attractive in the short and long run persistent earnings. The research study is novel as no similar study has been conducted explicitly on the socioemotional wealth and sustainable earnings for emerging Asian economies. Understanding the relationship between Socioemotional Wealth and persistent earnings is vital for firms as it describes how non-financial factors, such as family control, emotional connections, and dynastic succession, impact the family firm's long-term financial performance and sustainability. The results from this study can direct family-owned businesses in balancing socioemotional goals with financial objectives, influencing succession planning, relationships, and strategic decisions to ensure the preservation and enhancement of socioemotional wealth over time. The results conform to those obtained by scholars for both developed and emerging country cases. The other conventional variables included in the model generated the expected signs and results.

Keywords: Socioemotional wealth, family firm, sustainable earnings, emerging Asian markets.

1. Introduction

Family firms, characterized by the involvement of family members in ownership and management, constitute a significant portion of the global economy. These firms often possess distinctive characteristics that set them apart from their non-family counterparts, and significantly contribute to wealth and employment generation (Donckels & Frohlich, 1991; Shanker & Astrachan, 1996). According to the report conducted by Accenture (2019), family firms were the benefactor of 70% of GDP contribution to the world economy, and about 60% of employment around the globe attributes to family firms. The family firm has a sense of uniqueness and has different governance structures, exposure, and an approach to risk. The emphasis of family firms is more than financial returns maximization; rather than these firms mainly focus on enhancing and maintaining non-financial wealth (Chua et al., 2015). This non-financial wealth of a family business is known as socioemotional wealth (SEW). The SEW is the involvement and commitment of the family members in their business that ultimately results in value creation. It has gained considerable attention in the last decades as a substantial development in a family business (Brigham & Payne, 2019) and is used extensively by scholars for analyzing family firms. Recognizing the importance of

socioemotional wealth in pursuing corporate success is critical. The intangible aspects of shared values and emotional ties significantly shape the identity and longevity of a family business. These emotional ties give rise to a sense of purpose and commitment in family members and employees as they become deeply rooted in the organizational culture. However, the essence of socioemotional wealth does not exist in isolation. Instead, it intertwines seamlessly with the financial aspect of the business. Persistent earning, a critical component of sustained prosperity, emerges as the bridge between emotional wealth and tangible success. The ability of a family firm to generate consistent and resilient financial returns ensures its survival and enhances its capacity to preserve and strengthen socioemotional bonds over time. Although studies have indicated the socioemotional effect on other variables, such as performance (Debicki et al., 2017), R&D (Lin & Wang, 2021), internationalization (Janssen, 2020), and risk (Gomez-Mejia et al., 2007), there is a need to pay closer attention to the socioemotional wealth effect on sustainable earnings of family firms.

The concept of earning persistence is understudied in developing economies and family firms. Based on the socioemotional wealth (SEW) point of view, this study investigates the relationship between SEW and sustainable earnings in the family business and research. Three dimensions of socioemotional wealth are discussed and analyzed: family control, dynasty, and family identity. The study is conducted in the context of emerging economies, measuring the effect of socioemotional wealth and sustainable earnings. The study also contributes to the literature by using the new measure of sustainable earnings, i.e., the intensity of core earnings (ICE), developed by Amir et al. (2013), a deviation from the normal profit margin, to measure sustainable earnings and has established its relationship with the socioemotional wealth.

2. Literature Review

The family member may only want the association with their firm without gaining higher financial gains. This psychic non-financial gain is socioemotional wealth (Gómez–Mejía et al., 2007; Dressler & Tauer, 2015). Socioemotional wealth includes control and influence (Gomez-Mejia et al., 2007; Chung & Chan, 2012), reputation, and image in the community (Dyer & Whetten, 2006; Zellweger et al., 2010; Miller & Le Breton–Miller, 2014), passing the family firm reign to the next generation (Gómez-Mejia et al., 2007). Economist Joseph Schumpeter famously identified owned businesses as key supporters of economic development. However, the selfless spirit of a family business is sometimes challenging to manage and transition across generations (Stockmans et al., 2010). This selfless spirit regarding family business isn't an inherited trait like the colour of eyes; it is something born only through affiliation and the need for association (Agarwal et al., 2019). Without question, it is more nurture than nature (Hasenzagl et al., 2018). Affiliation and the need for association with a family business is a delicate balance. If balanced carefully, it can be a magic formula to long-term intergenerational transitional success (Ma & Yoo, 2022). Managed poorly, it can result in a major breakdown of trust and communication amongst family members, creating resentment and conflict (Stockmans, Lybaert, & Voordeckers, 2010).This delicate balance is about achieving harmony and creating space for non-economic goals to achieve. One side of this careful balance is what some academics have described as *socioemotional wealth* (Jaffe & Lane, 2004). This relates to family engagement, communication, identity, decision-making, and how business leaders involve the next generation in these processes (Gottardo & Moisello, 2015).

Family business owners need to accept the potential loss of control and be open to the ideas that younger generations have concerning the future direction of the business (Stockmans et al., 2010). For successors of a family enterprise, it means having an understanding and appreciation for the family's values and how these principles are a unique character of a company (Dello, Sbarba & Marelli, 2018). On the other side of the balance is *sustainable earning*, one which, when balanced with socioemotional wealth, builds a safe space for exploitation and exploration (Stockmans et al., 2010). In other words, the ability to adopt innovation, creativity, and entrepreneurism safely within the constraints of a family enterprise is only achieved when all parties are prepared to make space, trust, and accept the opportunities it may create (Ma, & Yoo, 2022).

Without experiences and a supportive and encouraging environment, the next generation will never be able to develop the characteristic learning needed to innovate, lead and be adaptable to change in the future (Dello, Sbarba & Marelli, 2018). As such, the older generation has an important role to play in actively passing on the family values to the younger generation but equally allowing the next generation to take control and, if necessary, fail (Garcés-Ayerbe et al., 2022). The next generation needs to learn what risk and reward are (Jaffe & Lane, 2004). To

be given the freedom to build their knowledge of the business, but also for the older generation to be open to new ideas to create new streams of wealth through expansion and diversification, not simply to pass the business on starting with one age then onto the next (De Vries, 1993).

In relation to Socioemotional wealth, the families/groups that own the businesses from generation to generation are deliberately considered beneficially stronger as compared to non-owned families' counterparts (Arena & Michelon, 2018). Own family groups' cognizance of preserving possession throughout more than one generation, they gain from instilling longer-time period strategic goals, an extra feeling of continuity and balance, and extra mounted relationships, each externally and internally (Agarwal et al., 2019).

Within nonfamily businesses, when senior leaders leave, they take a significant amount of experience, contact, and knowledge (Jaffe & Lane, 2004). But in family businesses, the scenario is different, they focus on inter-generational transfer down and across, and the family ensures that just like wealth/asset protection, knowledge and social resources can be protected and transferred (De Vries, 1993). Family-owned businesses are at a strategic advantage compared to nonfamily counterparts when it comes to Socioemotional wealth. Family businesses focus on maintaining ownership across multiple generations, and they benefit from instilling longer-term strategic goals, a greater feeling of continuity and stability, and more established relationships both internally and externally (Agarwal, Aggarwal, & Gupta, 2019).

However, what important is that how the next generation of business leaders use this knowledge. Information is nothing without action (Arena & Michelon, 2018). By carefully maintaining these resources but growing and diversifying their networks and connections, the next generation can identify greater business opportunities for the future. Studies have been carried out to show that family-owned business performs better (Garcés-Ayerbe et al., 2022). The conclusion is reliant on the collision of Socioemotional wealth indicators (Arena & Michelon, 2018).

This study also investigates the connection between socioemotional wealth and sustainable or persistent earning (Arena & Michelon, 2018). Earnings play a vital role in delivering information to the various stakeholders about the firm value (Dechow, 1994), in predicting future cash flows (Dechow & Schrand, 2004), and is a better measure of the firm performance (Liu et al., 2002). Earning quality is a valuation measure of earnings of how "repeatable, controllable and bankable" they are (Radzi, Islam & Ibrahim 2011). Earning quality has the distinguishing feature of evaluating the financial health of the firm and reflects the firm's real earnings as well as predicting sustainable/ persistent and future earnings through reported earnings Mahjoub and Khamoussi (2012).Persistence/sustainable earnings, a permanent element of earning (Coelho, Aguiar & Lopes, 2011), is one of the concepts of quality earnings that describe the recurrence of current earnings that will endure in the future. Sustainability along with growth and financial performance in the assets of family firms are three highly significant performance measures. (Uhlaner, Kellermanns, Eddleston, & Hoy, 2012). An extensive study of the literature has been conducted, which elaborates on different factors affecting sustainable earning (Dello Sbarba & Marelli, 2018). These factors are connected with the fiscal policies of a company which include accruals, accounting variables, book keeping, accumulations, and so on (Garcés Ayerbe et al., 2022). These factors assisted in measuring sustainable profits from distinctive views (Hasenzagl et al., 2018).

Earlier studies offer different meanings of persistent earning, such as conservatism, liquidity, and accounting transparency. Nonetheless, Jonas and Blanchet (2000) recommended persistent earning as a component to measure and predict income values from the perspective of users (Gottardo, & Moisello, 2015). It was also predicted that under high sustainable earning, the quality of earning was also high with reliable information (Berrone et al., 2010; Garcés-Ayerbe et al., 2022).

Being sustainable implies leading with readiness, a growth mindset, and a development attitude (Hasenzagl et al., 2018). Sustainable earning also depends on the owner's ability to empower and reskill employers for digital advancement and gain a competitive advantage. For persistent earning, it is also important to consider human skills to upgrade empathy, stress management, and flexibility (Kraus et al., 2011). A simple formula is that the more a family business focuses on the workforce and social responsibilities, the more successful they become (Gottardo & Moisello, 2015). If a family business can become more conscious in its approach to working with and developing its employees, all facets of the business, the employees, customers, and profits will see substantial and sustainable growth because it is a time to function in a conscious circle rather than the traditional top-down pyramid (Martin, Campbell, & Gomez-Mejia, 2016). Dyer (2006) lays out potential positive family factors concerning financial performance; these include lower agency costs, human and social capital, family branding, and physical/financial

capital. The existing literature documents that socioemotional wealth may exert a significant effect on a firm's performance. For instance, Work by Anderson and Reeb (2003) noted the outperforming results of family ownership in comparison with the other firms. By analyzing panel data of S & P 500 index firms, they found that the founder effect (family founder being the CEO) significantly affects the firm performance. Martínez (2003) assessed 424 private firms consisting of 276 family-owned and 148 nonfamily firms. Slight but not significant differences in favor of family companies were reported. However, Martinez et al. (2007) discovered the opposite in another study with the sample data of 175 stock exchange-listed Chilean firms for the period from1995—2004. By measuring performance through three distinct measures, they claimed that public family firms are better performers than public nonfamily firms. Schank, Murgea and Enache (2017) by studying a sample of 1,161 Romanian companies and 1,342 German companies, two different results of ownership and performance relationship. They found positive results for German firms and insignificant for Romanian firms because of development conditions in the two countries. Daunting these positive effects of family control over sustainable earnings, some scholarly studies resulted in the negative influence of family control on quality earnings as family firms use the power for personal benefits (Fama & Jensen, 1983), suppressing minority shareholders' rights (Villalonga & Amit, 2006) as well as the information inadequacy lead to higher earning management (Li & Zaiats, 2017) and lower persistent earnings. Family owners ostensibly use much power for the attainment of their private benefits without of fear of any penalties (Fama & Jensen 1983). So literature, evident that socioemotional wealth (SEW) has a significant influence on the strategic decisions and long-term success of family businesses. Nevertheless, empirical investigations on the specific relationship between SEW and sustainable earnings are limited. Therefore, this study seeks to add to the current knowledge by investigating the effect of SEW on sustainable earnings in such organizational settings through empirical research. After analyzing the literature review, the following hypothesis is generated:

H1: There is a significant relationship between SEW and Sustainable earnings.

3. Methodology

Research methodology is the means of demonstrating the design of the research study (Bircks & Mills, 2011). It is a common approach for designing research and analyzing particular phenomena (Silverman, 1998). The present research tests prevailing observations and theories that several scholars from different perspectives have studied. The current study uses the deductive approach as it is also based on the existing theories, which further test the research questions and hypotheses through quantitative data. The study used a secondary data collection method for defining and explaining the study's variables and their associations. The time horizon selected for this study is taken from 2010 -2019.

3.1 Variables Definitions

3.1.1 Family Control

Family control denotes the degree of involvement and control that family members have over the decision-making processes in a family business. The involvement in business is a primary differentiator between family and non-family businesses (Miller & Rice, 1967, 1988). Family members proactively participate in the decision of their firm. Prior investigations exhibit positive (Berrone et al., 2012; Su et al., 2020) and negative associations (Chua et al., 1999; Cruz et al., 2014; Zellweger et al., 2010) of family control and influence with other dependent variables. Different scholars have utilized various proxies for measuring the control dimension of SEW. Following prior studies (Anderson & Reeb, 2003; Villalonga & Amit, 2006; Gómez-Mejía et al., 2007), holding key positions such as CEO or Chairman is taken as a proxy for measuring the family control dimension of SEW. The data has been collected from the NRG metrics database.

3.1.2 Family Identity

The family identity refers to the degree to which a family business is linked to the family's sense of self and identity. It encompasses the beliefs, values, and traditions shared by family members, shaping their understanding of who they are as a family (Whetten et al., 2014). In other words, family identity captures how the family sees the business as an extension of themselves and how their values and beliefs are reflected in the firm's culture and

behavior. Family reputation is closely tied to family firms (Naldi et al., 2013); because of this, family members are conscious of maintaining family traditions, preserving family values, and building a family legacy through the business. It provides unique advantages that can help them achieve long-term success. Considerable research studies positively affected firm sustainable growth and economic performance (Santiago, Pandey, & Manalac, 2019; Sageder, Mitter, & Feldbauer-Durstmüller, 2018; Zellweger et al., 2012). However, some researchers also highlight its negative consequences (Le Breton-Miller et al., 2011; Sánchez & Pérez, 2013). Prior research studies have used the family name as an item to measure the family identity of SEW (Deephouse & Jaskiewicz 2013; Habbershon & Williams, 1999; Schulze et al., 2001; Santiago, Pandey, & Manalac, 2019). The data for this proxy of family identity is also taken from the NRG metrics family firms' database.

Family dynasty:

Family dynastic succession represents the passion of family members to maintain control of the business by passing it on to the next generation of the family. It is closely related to the family control dimension of SEW. However, it focuses explicitly on transmitting ownership and management from generation to generation (Gómez-Mejía et al., 2007). It refers to the family's urge to hold control over the firm by ensuring that family members across generations occupy the top leadership positions. It reflects the desire of family members to maintain control and ownership of the business but also highlights the potential risks and challenges associated with this approach. The positive (Gómez-Mejía et al., 2007) and adverse effect (Astrachan & Shanker, 2003; Chrisman et al., 2005) has been found for the family dynastic succession. CEO-descendants or chairman-CEO descendants are taken as a proxy for measuring the family dynasty dimension of socioemotional wealth as it is suggested as a valuable proxy for family dynastic succession by previous researchers in their studies (Gomez-Mejia et al., 2010; Kammerlander et al., 2015; Schulze, Lubatkin, & Dino, 2003). The family dynastic succession proxy data is also taken from the NRG family firms' database.

3.1.3 Systematic Risk

Also known as market risk, it is the risk that is unavoidable and undiversified (Sharpe, 1964). Through diversification, the firm total risk can be minimized by the inclusion of stocks of different firms in a portfolio. However, the systematic risk in that absolute risk is non-diversifiable (Delvira & Nelvirita, 2013). It is affected by economic slumps and unpredictable changes in inflation, exchange rate, interest rates, and business cycles (Bodie et al., 2014). This study also utilizes the Capital Asset Pricing (CAPM) Model for the calculation of systematic risk (Oikonomou, Brooks & Pavelin, 2012).

3.1.4 Leverage

In every firm high debt ratio is a threat to the firm and as well as to the stake holders as it gives negative signals of the company performance to the investors and in the market. So the firm management for the restoration of company reputation make improvement in firm's performance through sustainable profits (Kusuma & Sadjiarto, 2014). The firms with higher debt to equity ratios are not seen as much efficient at creating value. Firms with high debt level are viewed with a good sight when there earnings are sustainable. Different studies showed positive association between leverage and that of sustainable earnings (Cohen 2003; Fanani 2010;Putri & Supadmi2014; Tambunan, 2010) there are also studies showing that debt has negative effect on sustainable earnings or earning persistence (Gunawan, Icih, & Putri,2020;Kasiono & Fachrurrozie, 2016).

3.1.5 Rule of Law

For unprejudiced, systematic and civilized society certain set of principles must be adhered which can be called as rule of law. The rule of law is an important factor in determining long-term earnings. When a country has a strong rule of law, businesses can operate with confidence, knowing that their investments and operations will be protected (Porta etal., 1998).

3.1.5 Firm Size

The firm's total assets are taken as a proxy for the measurement of firm size. The firm with greater size in the form of the total asset has greater chances of getting opportunities and generating higher and persistent profit. It is more stable compared to firms with smaller sizes. As the firm size increases, like the other firm, family firms are also

conscious about their reputation and act responsibly. Similarly, larger firms behave responsibly and are more aware of stabilizing their rapport with external stakeholders (Waddock & Graves, 1997). Many research scholars find significant positive effects on persistent earnings (Cohen 2003; Gaio, 2010; Pagalung & Sudibdyo, 2009; Prasetyo et.al, 2021). We also expect a positive association among these variables of the study.

3.1.6 Dividend Yield

The earnings of the shareholders is dividend. How much they will get is the Dividend payout ratio and the percentage of share market price of the company is the dividend yield. The formula used for its measurement is:
DY =annual dividend per share /market price per share
Studies found that firm who pay less dividend give signals of weaker investor protection and have less chances of survival and profitability in future La Porta et al. (2000). While those firms who have high dividend portray a positive image in the market that these firms are progressive and have future earning abilities.
Refinitiv Eikon data stream is utilize for the extraction of data of dividend yield where it is measured on gross dividends with the inclusion of tax credits where offered (Refinitiv, 2021). Here the same principles are applied for calculations and special dividend are excluded.

3.1.7 Research and Development

Research and development (R&D) expenditure play an essential role in generating long-term returns, value creation and innovation (Chan et al., 2001; Sun, Lee & Phan 2019). Mixed opinions and evidences can be found in family firm's literature for R&D investments and family ownership relationship. Some studies reported positive association between the two (Craig & Dibrell, 2006; Llach & Nordqvist, 2010). It also depends upon need or situation when performance level is not meeting its target family firm invest greatly in R&D (Chrisman & Patel, 2012) and also when growth opportunities are there (Choi, Zahra, Yoshikawa, & Han, 2015) while other found that family firms, encourage in investing in physical assets rather than investing in long term riskier R&D projects (Anderson, Duru, & Reeb, 2012; Chen & Hsu, 2009; Munari, Oriani, & Sobrero, 2010).

3.2 Quantile Regression

The other least square regression methods focus on average estimates of the independent variables on the mean distributions, which gives a partial picture of a single distribution in the form of a single regression curve (Coad & Rao, 2006; Mosteller & Tukey, 1977). Thus for obtaining a complete picture of the relationship between dependent and independent variables, Quantile regression techniques can be helpful. Firstly introduced by Koenker and Bassett (1978), this technique helps to explain the relationship on different percentage levels. Thus, this technique is applied in the study, which may help us to get a complete picture of the relationship between SEW and sustainable earnings. Put differently, the derivative is interpreted as the marginal change in y at the θ the conditional quantile due to marginal change in a particular regressors (Yasar et al. 2006)

3.3 Model Specification

The following models are specified in this study to analyze the impact of SEW along with the rule of law, systematic risk, leverage, dividend yield, firm size, market-to-book value, and research and development on sustainable earnings in emerging Asian economies. The socioemotional wealth dimensions combined effect, as well as separate effect, are also analyzed and displayed here in the models

Sustainable earnings *jt*= f (Socioemotional wealth, rule of law, systematic risk, leverage, dividend yield, firm size, market to book value and research and development) *jt* …… …… (I)

Sustainable earnings is taken as a dependent variable. Rule of law, systematic risk, leverage, dividend yield, firm size, market to book value and research and development are taken as independent/controlling variables. SEW is the principal independent variable of the study, whose influence is checked along with the other controlling variables on sustainable earnings, where *j* is representing the member countries, *t* is representing the time period from 2010-2019. Therefore the total observations for each variable are 1990.These variables are replaced by suitable proxies and equation 1 is robust to standard error. Taking robust of the standard errors helps in removing

the expected heteroskedasticity.

3.4 Econometric Model

$$SE_{it} = \beta_0 + \beta_1 SEW_{it} + \beta_2 Rol_{it} + \beta_3 SRisk_{it} + \beta_4 LEV_{it} + \sum\beta_5 DIVIDY_{it} + \beta_6 FSIZE_{it} + \sum\beta_7 MTB_{it} + \sum\beta_8 RAD_{it} + \varepsilon_{it}$$

Where
SE = Sustainable Earnings (proxied by NPM, GPM and OPM)
SEW =Socioemotional Wealth
Rol= rule of law (governance)
DIVIDY= dividend yield
MTB= Market to book value measure
RAD= research and development
S risk= systematic risk
Lev= leverage ratio
i= firms
t= time period

3.5 Estimation Issues and Techniques

For the estimations and analysis STATA 11 software is used. Data is taken for the emerging economies except for China.

In this study, we conducted the Breusch-Pagan (1980) Lagrange multiplier (LM) test to decide between the pooled ordinary least squares (OLS) and random effects (generalized least squares, GLS) models. The test results indicate a preference for the random effects (GLS) model over the pooled OLS model for the dataset used in estimation. As a result, we employed the feasible generalized least squares (FGLS) model, ensuring a more suitable and effective modeling strategy. The paper still reports the results of POLS-robust for comparative purposes and to get a broad overview of the above estimates, as the POLS estimates give consolidated results and have certain limitations (Kennedy, 2003). The Hausman test determined the choice between random and fixed effects models, with the analysis favoring the adoption of the random effects model. This study comprehensively assessed data using the Panel Least Squares (PLS) method for all 1990 observations. Addressing the potential multicollinearity concerns, mainly using the variance inflation factor (VIF), with a mean VIF of 1.268 revealed no significant issues within the dataset.

For detecting heteroscedasticity, the Breusch-Pagan/Cook-Weisberg test, with a chi-squared value of 8.67 and a p-value of 0.0032, rejects the null hypothesis of homoscedasticity of constant variance. Thus, the heteroscedasticity issue prevails. Robust standard errors were applied to resolve the heteroscedasticity issue and to enhance result reliability. Throughout the study, values robust to heteroscedasticity are reported.

3.6 Data Collection Sources

To examine the relationship between SEW and sustainable earnings, we constructed a sample of publicly traded firms in Asian economies, excluding financial firms pursuing common practice (Barontini & Bozzi, 2018). For the family firms dataset and the measurement of SEW wealth three dimensions, we employ the NRG Metrics family firm's database. NRG provided reliable data about corporate governance and was created in 2016. Also, we utilize a Refinitiv database for analyzing sustainable earnings data.

4. Data Analysis

4.1 Descriptive Statistics

The descriptive statistic is presented in the table 1 for all the variables taken in the research, i.e. Socioemotional wealth, Sustainable earnings, the Rule of law, systematic Risk, Leverage, Dividend yield, Firm size, Market to Book value, research and development. There are 1990 observations for each of the variables.

Table : Descriptive Statistics

Variable	Proxy	Number of Observations	Mean	Std. Dev.	Min	Max
Gross Profit Margin	GPM w10	1990	.307	.15	.104	.537
Operating Profit Margin	OPM w10	1990	.143	.088	.029	.302
Net Profit Margin	NPM w10	1990	.097	.065	.014	.213
Socioemotional Wealth	sew	1990	.145	.203	0.01	.724
Rule of law	rol	1990	.197	.575	-.593	1.188
Systematic Risk	Srisk	1990	.344	1.345	-6.775	9.344
Leverage	Lev w10	1990	.257	.165	.016	.515
Dividend yield	DIVIDY w10	1990	2.374	1.567	.36	5.13
Firm size	FSIZE w10	1990	19.988	2.459	16.66	23.95
Market to Book value	MTB w10	1990	5.375	5.937	.97	19.58
Research and development	RAD2 w10	1990	7.529	4.827	1.36	16.58

4.2 Correlation Matrix

The correlation matrix inspects how the dependent and independent variables move concurrently, i.e., either in a positive or negative relationship. The correlation between the variable itself is 1. Here the correlation of the dependent variable, sustainable earnings, with the independent variables is investigated. GPM positively correlates with Operating Profit Margin, Net Profit Margin, Socioemotional Wealth, Rule of Law, Systematic Risk, leverage, dividend yield, firm size market to book ratio, and research and development expenditure. At the same time, a negative correlation of GPM is found with Firm size. Firm size shows a negative correlation of 6.0% with GPM, 4.8% with OPM, and 18.1% with NPM.

Leverage is depicted in a negative correlation with OPM by 2.7 %. Socioemotional wealth positively correlates with GPM, OPM, and NPM by 5.2%, 7.2%, and .01 %. This means that these variables are positively correlated with each other. The maximum positive correlation is found between OPM and NPM, i.e. 76.9% and also between GPM and NPM i.e. 60.6%. In contrast, a maximum negative correlation is found between firm size and rule of law i.e. 35.7% and between NPM and Leverage i.e.26.4 %.

Table 2: Correlation Matrix

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
(1) GPM_w10	1.000										
(2) OPM_w10	0.765	1.000									
(3) NPM_w10	0.606	0.769	1.000								
(4) sew	0.052	0.072	0.001	1.000							
(5) rol	0.135	0.250	0.116	0.132	1.000						
(6) Srisk	0.066	0.023	-0.015	0.038	-0.002	1.000					
(7) Lev_w10	0.020	-0.027	-0.264	0.482	-0.090	0.034	1.000				
(8) DIVIDY_w10	0.030	0.038	0.092	-0.217	0.146	-0.041	-0.194	1.000			
(9) FSIZE_w10	-0.060	-0.048	-0.181	-0.043	-0.357	-0.073	-0.024	-0.150	1.000		
(10) MTB_w10	0.356	0.316	0.347	-0.101	-0.301	-0.016	-0.187	-0.066	-0.123	1.000	
(11) RAD2_w10	0.216	0.244	0.122	0.027	-0.273	-0.012	0.047	-0.164	-0.012	0.146	1.000

4.3 Socioemotional Wealth and Sustainable Earnings

The analysis initiates with the examination of the effect of SEW on sustainable earnings set in equation (1). The Wald test (for heteroscedasticity) and Wooldridge test (Autocorrelation), along with the Hausman test, are also shown and analyzed here, and results are reported in Tables 3 and 4. The Wald test implies that panel heteroscedasticity is confirmed. The alternative hypothesis (Ha) assumes heteroscedastic panel data, contrary to the null hypothesis (Ho), which assumes homoscedastic panel data. The Wald test statistic for the NPM model is 171.5287, which exceeds the critical value of the chi-squared distribution at the 1% significance level. This test's p-value is less than 0.05, which means that the alternative hypothesis can be accepted instead of the null hypothesis. Similarly, the corresponding p-value of the Wald test for the OPM model is less than 0.0000, and the test statistic, LogE2, is 55.5072, showing strong evidence against the null hypothesis. The panel data is heteroscedastic, suggesting an unequal variance in the data across different units or time periods. Also, the outcome of the Wald test for the GPM model demonstrates that the alternative hypothesis (Ha) of heteroscedasticity is accepted in place of the null hypothesis (Ho) of homoscedasticity. The Wald test statistic is 73.6553, and the corresponding p-value is 0.0000, less than the significance level of 0.05, displaying that assumptions of homoscedasticity in panel data regression may not hold.

Whereas, the Wooldridge test for autocorrelation in panel data is used to test for the presence of first-order autocorrelation (serial correlation) in the residuals of a panel data regression. As the table 3 shows, for the NPM model, the Wooldridge test yielded an F-statistic of 10.345 and a p-value of 0.0021. The p-value is less than the significance level of 0.05, indicating that the null hypothesis can be rejected at the 5% significance level. Correspondingly the OPM model shows that the test statistic F (1, 57) has a value of 70.667 and the p-value is 0.0000, which is less than the conventional significance level of 0.05. This indicates strong evidence against the null hypothesis. Furthermore, for the GPM model, the calculated F-statistic is 42.399, and the associated p-value is 0.0000, less than the standard significance level. Therefore, the interpretation of all three results is that there is evidence of first-order autocorrelation in the panel data, and the null hypothesis of no first-order autocorrelation can be rejected. Therefore, FGLS is suggested (Wooldridge, 2010; Hausman & Taylor, 1981) and used in this study to account for the existence of heteroscedasticity and autocorrelation. From the FGLS columns of the table 3 and 4, it is witnessed that the robust coefficient of SEW is positive and significant, implying that sustainable earnings of family firms are sensitive to SEW. Also SEW show a positive association when using *NPV, GPM, and OPM* as sustainable earnings measure. The results indicate that family firms are able to have higher sustainable earnings when they have significant control, a better reputation in the community, and transgenerational control. The majority of studies show that SEW in family firms results in superior firm performance. This study result also displays that the SEW of family firms can be one of the main reasons for the long-term sustainable earnings of the family firm. All the sustainable earning measures, whether it's NPM, GPM, or the OPM, appear to be unaffected by systematic risk showing insignificant results. This means that the systematic risk presence or absence has no effect on the sustainable earnings of family firms. In line with some previous studies, our result also displays a negative association between firm leverage and sustainable earnings when measured through NPM and OPM at 1% and 5% significance levels while showing 10% significance with GPM. This means that family firms do not rely upon high debts as these firms, in order to protect their reputation and maintain their hold, invest in those projects that, although they generate lower expected returns but are less risky. According to Jiraporn et al. (2011), dividends are considered cheaper finance as compared to debt financing; as a result, these firms can have high chances of survival and long-term sustainable earnings as they try to avoid riskier investments by taking larger debts that could be detrimental. The findings show that the rule of law positively and significantly leads to sustainable earnings with a positive coefficient and significance at 1% on two models, i.e., NPM and OPM, while showing an insignificant effect on GPM. The reason for the positive association may be because of better law enforcement of family firms in investor protection or minor shareholder, higher transparency, and less or no corruption to maintain their reputation. The results of FGLS estimates indicate that firm size significantly affects the family firms' sustainable earnings on all three measures NPM, GPM, and OPM at a 1% significance level. It means that the greater the firm size of the family firms, the lower the chances of the sustainability of the earnings. This can be due to several reasons such as

difficulties in managing and coordinating the operations of a larger firm, inefficiencies in decision-making, and reduced flexibility to respond to market changes. In addition, larger family firms may also face a higher level of competition, which can put additional pressure on earnings. The result of dividend yield indicates positive and significant relation with sustainable earnings as the coefficient came out as.005 for NPM with 1% significance, .014 and .01 coefficient for GPM and OPM with a significance level of 1%. So the result here indicates family firms are also in favor of dividend yield in order to secure future earnings. According to La Porta et al. (2000), those firms that pay less dividends give signals of weaker investor protection, while those firms which have high dividends portray a positive image in the market that these firms are progressive and have greater future long-term earning abilities. The R& D is also a positive and statistically significant variable affecting sustainable earnings. It came out to be significant at 1%, with all three sustainable earning proxies taken showing consistency with the proposition that better and advanced R&D efforts are one way of attracting sustainable earnings in family firms. The results are consistent with the study (Choi et al., 2015) where they find that family firms will prefer in investing R&D where they find growth opportunities and take risks in investing where there is a threat of losing growth and long-term value (Sun, Lee, & Phan, 2019). Lastly the market to book value indicate that it significantly affects the family firms' sustainable earnings on all three measures NPM, GPM, and OPM at a 1% significance level. It means that there is strong evidence that changes in the market-to-book value ratio are associated with changes in sustainable earnings. A positive coefficient indicates that as the market-to-book value ratio increases, sustainable earnings also increases.

Table 3: SEW and Sustainable Earnings (NPM Model)

	(POLS)	**(POLS-Robust)**	**(FE)**	**(RE)**	**(FGLS)**
	NPM	**NPM**	**NPM**	**NPM**	**NPM**
Sew	.053***	.053***	-.051	.004	.031***
	(.02)	(.019)	(.075)	(.034)	(.011)
Rol	.011	.011	.069**	.023*	.014***
	(.007)	(.007)	(.032)	(.013)	(.003)
Srisk	-.001	-.001	.001	-.001	.001
	(.003)	(.003)	(.001)	(.001)	(.001)
Lev	-.117***	-.117***	-.111***	-.114***	-.121***
	(.024)	(.024)	(.035)	(.026)	(.012)
DIVIDY	.004	.004	-.003	-.001	.005***
	(.002)	(.002)	(.003)	(.002)	(.001)
FSIZE	-.005***	-.005***	-.008	-.007**	-.005***
	(.002)	(.002)	(.012)	(.003)	(.001)
MTB	.003***	.003***	.002***	.002***	.003***
	(.001)	(.001)	(.001)	(.001)	(0)
RAD2	.001	.001	.001	.001*	.002***
	(.001)	(.001)	(.001)	(.001)	(0)
_cons	.182***	.182***	.296	.253***	.184***
	(.039)	(.038)	(.234)	(.063)	(.022)
Hausman test				5.936 (.654)	
Wald test	111.4010 (0.0000)				
Wooldridge test	10.345(0.0021)				
Observations	1990	1990	1990	1990	1990

Robust standard errors are in parentheses

*** p<.01, ** p<.05, * p<.1*

Table 4: SEW and Sustainable Earnings (GPM & OPM Model)

	(FE) GPM	(RE) GPM	(FGLS) GPM	(FE) OPM	(RE) OPM	(FGLS) OPM
Sew	.006	.015	.064**	.029	.006	.062***
	(.136)	(.075)	(.029)	(.077)	(.045)	(.013)
Rol	.049	.023	.001	.117***	.051***	.019***
	(.058)	(.029)	(.009)	(.033)	(.017)	(.004)
Srisk	.002	.003	.007**	-.001	0.001	.003
	(.003)	(.003)	(.003)	(.002)	(.002)	(.002)
Lev	-.169***	-.041	.068*	-.103***	-.062**	-.029**
	(.063)	(.051)	(.036)	(.036)	(.029)	(.013)
DIVIDY	.001	.001	.014***	-.002	-.002	.01***
	(.005)	(.005)	(.003)	(.003)	(.003)	(.001)
FSIZE	.055**	-.001	.001	.019	-.005	-.002*
	(.022)	(.007)	(.002)	(.012)	(.004)	(.001)
MTB	.004***	.004***	.012***	.002***	.002***	.005***
	(.001)	(.001)	(.001)	(.001)	(.001)	(0)
RAD2	-.005***	-.003**	.005***	0	0	.004***
	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)
_cons	-.737*	.347**	.115***	-.182	.255***	.099***
	(.427)	(.143)	(.036)	(.243)	(.086)	(.022)
Hausman test			54.39(0.00)			
Wald test	73.6553(0.0000)			55.5072 (0.0000)		
Wooldridge test	42.399(0.0000)			70.667(0.0000)		
Observations	1990	1990	1990	1990	1990	1990

Standard errors are in parentheses

*** p<.01, ** p<.05, * p<.1*

4.4 Quantile Regression Analysis

The results of SEW quantile regression can be seen in Table 5. It can be seen in the results that at the lowest quantiles of 25% and 50%, the NPM and sustainable earnings relationship is significant at 1% and 5 %, respectively. However, when checked on 75%, the relationship becomes insignificant, suggesting that the family firms, when focusing more on their SEW than economic goals, may risk losing their aim of long-term sustainable earnings. However, when the GPM results are checked with SEW, the significant results are seen at the extreme upper quantile of 75%. For the family firms with the highest SEW, efforts will result in relatively gaining long-term value regarding GPM. For OPM used as a sustainable earning proxy to check its relation with SEW, the coefficient estimates are significant at all three quantiles at 5%, 1% and 5% levels on 25%, 50% and 75% quantiles, respectively.

The other control variables are also estimated on different quantile percentages. As we move to the upper percentage quantile, i.e. 75%, the ROL become insignificant with NPM as a sustainable earning measure while only showing positive significance at the 25% level. In the case of the ROL effect on GPM at a low level of 25% and at the 50% quantile, the relation is insignificant. However, it became significant at 10 % as we move to the upper quantile of 75%, which means that the rule of law does not affect sustainable earnings. However, when implemented strictly, it will positively affect long-term earnings. As far as OPM, it shows a positive and significant relationship with the rule of law at all percentage quantiles. Systematic risk shows an insignificant effect on sustainable earning (at all three measures, i.e. NPM, GPM, and OPM) except at 25 % quantile for GPM.

Leverage, on the other hand, shows a significant adverse effect on sustainable earning when measured from the lowest 25% level to the highest 75% quantile level. This result is consistent with the FGLS results. Similarly, the DIVIDY is statistically significant at 1% when its effect is checked for sustainable earning measure, i.e. NPM on 25% and 50% quantile. However, when the percentage increase to 75%, the relation becomes insignificant, which means that the marginal change in sustainable earnings at the 75% quantile due to marginal change in a Dividend yield makes the relation insignificant. The FGLS regression estimates a significant favorable influence of firm size on sustainable earnings for all measures (i.e. NPM, GPM and OPM). The quantile regression results on different percentage levels further indicate that the value of the estimated coefficient on the leverage varies over the sustainable earning measures. The firm size influence increases on sustainable earnings as we move from 25% to 75% quantile when NPV is taken as a sustainable earning measure. Nevertheless, in the case of GPM & OPM, the results are insignificant except for OPM at 75% quantile, which shows significant positive values at 1% significance.

Thus the result indicates that family firms that improve their non-financial wealth, i.e. SEW, have attracted significant amounts of long-term earnings. As far as the other explanatory variables are concerned, they are seen to behave according to theoretical predictions and are in line with recent empirical shreds of evidence.

Table 5: Quantile Regression

	(Q-25) NPM	(Q-50) NPM	(Q-75) NPM	(Q-25) GPM	(Q-50) GPM	(Q-75) GPM	(Q-25) OPM	(Q-50) OPM	(Q-75) OPM
	.022***	.038**	.027	.055	.077	.138**	.046**	.06***	.069**
Sew									
	(.006)	(.016)	(.036)	(.041)	(.081)	(.043)	(.022)	(.02)	(.037)
	.015***	.013	.015	.016	.015	.053*	.027***	.01*	.052***
Rol									
	(.003)	(.009)	(.01)	(.014)	(.021)	(.028)	(.008)	(.005)	(.015)
	-.018	-.024	.003	.117***	.031	.023	-.001	0	.01
Srisk									
	(.014)	(.029)	(.033)	(.02)	(.036)	(.048)	(.039)	(.009)	(.03)
	-.107***	-.118***	-.15***	.038	.009	-.009	-.078***	-.015	.002
Lev									
	(.008)	(.026)	(.037)	(.036)	(.073)	(.077)	(.028)	(.024)	(.045)
	.003***	.007***	.002	.014**	.014**	.003	.002	.012***	.005
DIVIDY									
	(.001)	(.003)	(.003)	(.006)	(.007)	(.007)	(.003)	(.002)	(.005)

	.002*	-.004*	-.012***	.006	0	.001	.004	-.001	-.007**
FSIZE									
	(.001)	(.002)	(.002)	(.004)	(.004)	(.004)	(.003)	(.002)	(.004)
	.003***	.004***	.003***	.008***	.013***	.011***	.004	.006***	.004***
MTB									
	(0)	(.001)	(.001)	(.001)	(.001)	(.002)	(.002)	(.001)	(.001)
	.001***	.002***	0	.006***	.006***	.006***	.002*	.004***	.006***
RAD2									
	(0)	(.001)	(.001)	(.002)	(.002)	(.002)	(.001)	(.001)	(.001)
	.015	.141***	.377***	-.095	.123	.254**	-.015	.067*	.268***
_cons									
	(.025)	(.053)	(.057)	(.106)	(.089)	(.107)	(.08)	(.036)	(.087)
Obser	290	290	290	290	290	290	290	290	290

Robust standard errors are in parentheses

**** p<.01, ** p<.05, * p<.1*

5. Conclusion

This study investigated the SEW on sustainable earnings and is based on a sample family firms of Asian emerging countries over the period of 2010-2019. Results from the analysis shows that SEW has been an important ingredient in making the family firms attractive both in the short and long run persistent earnings. The results are in conformance with those obtained by scholars, for both developed and emerging country cases. The other conventional variables included in the model generated the expected signs and results. These findings imply that SEW is important element of the strategy other than financial ones to attract sustainable profits and this is particularly true for emerging economies where there is much to be done by family firms in that respect. In future studies, researchers can contribute to a deeper understanding of the complex relationship between socioemotional wealth and persistent earnings by comparative analysis across various types of family businesses, considering factors such as size, generation, and industry focus. The researcher can also explore potential moderating variables that might influence the relationship between socioemotional wealth and persistent earnings. Also, to investigate this relationship, researchers can employ qualitative approaches, such as conducting in-depth interviews or case studies. The studies will provide valuable insights for scholars and practitioners in the field.

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