International Journal of Research in Finance and Management

P-ISSN: 2617-5754
E-ISSN: 2617-5762
IJRFM 2025; 8(2): 37-42
www.allfinancejournal.com
Received: 05-04-2025
Accepted: 03-05-2025

Rofika
Faculty of Economics and Business, University of Riau and University of Jambi, Indonesia

Nela Safelia
Faculty of Economics and Business, University of Jambi, Indonesia

Ratih Kusumastuti
Faculty of Economics and Business, University of Jambi, Indonesia

Netty Herawaty
Faculty of Economics and Business, University of Jambi, Indonesia

Fitrini Mansur
Faculty of Economics and Business, University of Jambi, Indonesia

Correspondence Author:
Rofika
Faculty of Economics and Business, University of Riau and University of Jambi, Indonesia

Related Party Transactions (RPTs): A review of literature

Rofika, Nela Safelia, Ratih Kusumastuti, Netty Herawaty and Fitrini Mansur

DOI: https://www.doi.org/10.33545/26175754.2025.v8.i2a.527

Abstract
The global financial crisis has had an impact on the financial sector and the economy in various countries around the world. For long-term survival, the company conducts transactions with related parties. Related party transactions are transactions made by the company to affiliated parties. The purpose of this paper is to synthesize a variety of literature on Related Party Transactions (RPTs). The method used is to provide a review of literature published in international journals indexed by Scopus. From the results of previous research, there is evidence that related party transactions affect the company's value, earnings quality, earnings management and firm’s performance.

Keyword: Related party transactions, affiliated companies, company value, earnings quality, earnings management

Introduction
The financial crisis that occurred in the last two decades, namely the Asian financial crisis (1997), the global financial crisis (2008) and the Covid-19 pandemic crisis (2020) had an impact on the financial sector and the economic collapse of various countries in the world. This economic problem also has an impact on companies in the world. Transactions with related parties may be efficient transactions and even prove important for the long-term survival of the company in the event of a financial crisis (Chang and Hong, 2000) [5]. The Financial Accounting Standard Statement (PSAK) 224 defines a party (related party) as a person or entity related to a reporting entity, which can include owners, directors, employees, and entities controlled or controlling by the reporting entity.

Related party transactions are mostly carried out by companies with pyramid structures and cross-ownership, where the controlling shareholders have several layers of ownership (Claesen *et al.*, 2000) [8]. When a financial crisis occurs, minority shareholders are in a vulnerable state, while controlling shareholders seek to save their wealth through tunneling such as unreasonable cash transfers, the purchase of assets at unreasonable prices and the use of corporate assets to bailout to affiliated companies that are more profitable for the controlling shareholders. Related party transactions increase efficiency by lowering transaction costs and improve ideal business contracts by gaining more insights into related parties. Related party transactions make the transfer of resources between affiliates more affordable and increase strong market value (Wang *et al.*, 2019; Hope and Lu, 2020) [22, 16]. The results of Farhan and Almaqtari's (2023) [13] research found that related party transactions have a significant impact on the market value of banks listed in India. Meanwhile, according to Diab *et al*. (2019) [9] and Alhadab *et al*. (2020) [1], there is no relationship between related party transactions and firm’s value. Related parties use their power to take over company resources for their profits, increase agency costs, and reduce the value of the firms (Fooladi and Farhadi, 2019) [14].

The financial crisis also has an impact on the credibility of financial statements. The key role played by related party transactions in the financial crisis has increased regulators' concerns regarding these transactions in presenting financial statements. Related party transactions lead to a lack of transparency to external investors. This has an impact on the quality of the company's reported earnings.

According to agency theory, related party transactions can affect the supply of earnings quality by increasing the incentive of insider agents to take over shareholder wealth and, consequently, affecting their incentives to report lower earnings quality to cover this value-maximizing behavior in an effort to reduce public scrutiny and the possibility of outside interference.

Some previous research has shown that related party transactions have implications for financial statements. Sanchez *et al.* (2023) [21] show that the lower quality of the company's earnings is in line with the increase in related party transactions. Rahmat *et al.* (2020) [19] found that companies in four East Asian countries (Malaysia, Thailand, Singapore and Hong Kong) experienced poor earnings quality when they were involved in related party transactions. Meanwhile, El-Helaly (2016) [11] found that companies on the Athens Stock Exchange (Greece) with significant related party transactions did not show lower accounting quality than related party non-transaction companies.

Although adversely impacted, related party transactions are actually legal and can be used for specific purposes such as horizontal production chain efficiency, where the controller has control over the business entity in the production line from upstream to downstream. Based on the latest laws, related party transactions are regulated and recognized in both business law and tax law. With regard to accounting recording, both domestic and international accounting standards also have their own recording systems. In addition, a system of control and supervision of related party transaction activities has also been developed to maintain good corporate governance and to reduce the adverse effects or impacts of such transactions.

This study aims to synthesize several studies on related party transactions. From the results of searching various articles, this study provides an overview of the definitions and characteristics of related party transactions, dimensions that present measurements or proxies of related party transactions, and the results of previous research findings regarding related party transactions, both in line and in conflict.

The systematic literature review of this article is further divided into the following sections: research methods, related party transaction definition, related party transaction dimensions, previous research review of related party transactions and conclusions.

Research Methods

This study uses the Systematic Literature Review (SLR) introduced by Kitchenham (2022). The SLR method is used to systematically review the existing literature in order to find, evaluate, and interpr*et al*.l research related to a particular topic on a research question, research area, or phenomenon of interest (Arisandy, *et al.*, 2024) [4]. SLR research aims to summarize previous research with empirical evidence, identify new research gaps, and provide a framework for future research.

A literature review of related party transactions was conducted to find relevant articles from 2015 to 2024. The article search process uses the keyword "related party transaction". Some of the appropriate research was collected from several journals from quality publishers such as Emerald and Elsevier. In addition, it is also possible to search for articles using google and google scholar. The articles selected for this study are reputable journals and Sinta-indexed journals. Articles that become literature in this study must have related party transaction variables, both as independent variables and as dependent variables.

This study uses the Preferred Reporting Items for Systematic Reviews and Meta Analyses (PRISMA) method. The next step is to identify related party transactions as the core research topic and establish criteria for articles to be sampled (inclusion criteria) as well as for those to be excluded from the sample (exclusion criteria). The selection and rejection of articles are based on the criteria described in the following table:

Table 1: article criteria selection

Inclusion Criteria	Scientific articles published in journals published between 2015-2024 contain the topic of related party transactions both as independent and dependent variables
Exclusion Criteria	The article was not published in the reputable international journal Scopus or the national index Sinta, and was not published between 2015-2024

An online search using the keyword: related party transaction yielded 67 articles. The authors then selected articles that met the research criteria, resulting in 20 articles. These articles were selected to obtain articles that are truly relevant and can support the research comprehensively. Based on this description, the design of the PRISMA diagram in this study is as follows:

Definition of related party transactions

Related party transactions have been defined by several institutions that compile accounting standards. This study compares the definitions of related party transactions by the International Accounting Standard Board (IASB), the Financial Accounting Standards Board (FASB) and the Indonesian Institute of Accountants (IAI). The International Accounting Standard Board (IASB) defines a related party transaction as the transfer of resources, services, or obligations between affiliated/related parties regardless of whether or not there are fees to be paid or unrelated to the occurrence of the transaction. The Financial Accounting Standard Board (FASB) states that the transaction is a related party transaction even though there are no accounting records. For example, a company can receive services from related parties at no cost, receipts, and accounting records. Meanwhile, the Indonesian Institute of Accountants defines a related party transaction as a transaction between a person and entity related to a certain entity in preparing its financial statements.

The following Table 2 defines related parties according to the IASB, FASB and IAI.

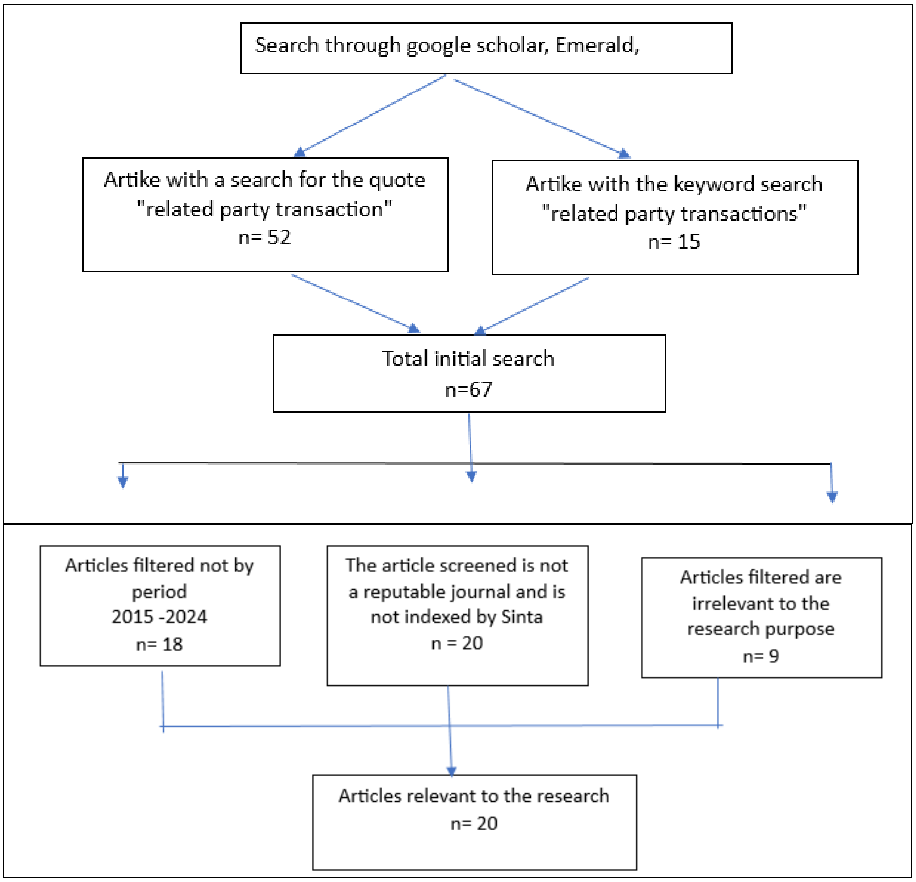

Fig 1: Diagram PRISMA

Table 2: Definition of related party transactions

IASB	FASB	IAI
1. Parties related through the control of the company (1) the parent company and its subsidiaries, or (2) parties who have joint control with strong control over the company. 2. Partner 3. Joint venture 4. Key management 5. Immediate family or related individuals points 1-4 6. Individuals related to points 4 and 5 who have significant influence or significant voting rights in the company 7. Pension fund for employees of a company or related company	1. Corporate partners 2. Entities whose investments in equity will be accounted for using the equity method by the company 3. Employee pension funds, trusts related to company employees 4. Company owner 5. Company management 6. Family Owner 7. Parties who have significant influence in the company	1. The person or immediate family member has a relationship if: • Have control or joint control over the reporting entity • Have a significant influence on the reporting entity, or • The reporting entity's key management personnel or the reporting entity's parent entity 2. An entity is related to a reporting entity if (either): • The reporting entity and entity are members of the same business group • An entity is an associative entity or joint venture for another entity • The two entities are joint ventures of the same third party • One entity is a joint venture of a third entity and the other is an associate entity of a third entity • Pension fund for company employees • Entities controlled or jointly controlled by persons point 1

Source: IASB, FASB, IAI

Examples of related party transactions include sales, purchases, leases, loans and the provision of services between a company and its affiliates, groups of shareholders, or subsidiaries. The following are examples of related party transactions:

- Sales and purchase of raw materials, finished goods and merchandise. This transaction can occur between the parent company and its subsidiaries. For example, company A sells raw materials to company B, which is a subsidiary of the company.
- Sale and purchase of capital goods and fixed assets. For example, company a sells machines to company B with

which the two have a special relationship.

- Delivery and utilization of intangible assets. For example, company a (parent) grants patent rights to company B (subsidiary).
- Money lending.
  Money lending transactions between the parent and subsidiaries or between two companies that have affiliates.
- Provision of services between parent companies and subsidiaries or between affiliated companies, for example the provision of accounting, management, engineering and legal aid services.
- Delivery and acquisition of financial instruments. This transaction can occur between the parent company and its subsidiaries related to the purchase or sale of shares or bonds.
- Other transactions, such as interest payments, royalties or service agreements that occur between a company and its affiliates.

Related party transaction dimensions

Previous research has tested related party transactions, both as independent variables and as dependent variables. The dimensions used to measure the testimony of related parties also vary. Several studies measured RPT using the total dollar value of transactions (Chen *et al.*, (2011) [6]; Lo and Wong (2011) [18]; Cheikh and Loukil (2023) [7]. Contributed to the RPT literature by developing a new measurement for RPT, namely Discriminatory RPT (DRPT). Other studies used dummy variables to measure RPT (Ryngaert and Thomas (2012) [20]; Helaly (2016) [10]; Diab *et al.* (2019)) [9]. The following table 3 summarizes the various dimensions of measurement of related party transaction variables that are relevant to this study.

Table 3: Dimensions of related party transactions

Researchers	Country	Dimension
Sanchez CB, Elistratova M, Aleman JP, 2023	Spain	The aggregated monetary value of a firm's RPTs deflated by the firm's total assets
Farhan N.H.S. and Almaqtary F.A, 2023	India	Mayor private party transaction and subsidiary transaction
Fooladi M, and Farhadi M, 2019	Malaysia	Benefecial related party transaction, and Detrimental related party transaction
Baban Eulaiwi, et al, 2023	United Arab Emirates (UAE)	RPT_total, RPT_purchase, and RPT_sale
El-Helaly M, 2016	Egypt	Dummy varible, if the sum of RPT conducted in the firm year observation exceeded 1% of the firm's total assets for the same year, and 0 otherwise.
Mohammad Tareq, et al, 2017	Bangladesh	Discriminatory RPT
Marchini PL, Mazza T, and Medioli, 2018	Italy	RPT_sale
Rahmat MM, Muniandy B and Ahmed K, 2019	Malaysia	Magnitude of RPT transaction in US dollars, and Abnormal RPTs are: RPT_complex, RPT_simple and RPT_loan
Cheikh, S.B., and Loukil N, 2023	Tunisia	The number of existing transaction during the study period between major shareholder, directors or officers and the firm with them are affiliated
Sourour Hazami-Ammar, 2024	Oman	RPT_sale and RPT_purchase
Giovanna Gavana, Oietro Gottardo and Anna Maria Moisello, 2024	Italy	Value of RPT scaled by total asset, and The sum of sales, purchase and outstanding balance between the company and its related party.
Abdulaziz Sulaiman Alsultan, 2023	Saudi Arabia	Logarithm value of RPT; Value of RPT scaled by total asset
Ahmed A. Diab, Ahmed Aboud, Arafat Hamdy, 2019	Egypt	Dummy variable code 1 if the firm disclosed RPT, otherwise, it is code as zero

Source: Table by the Author

Review of previous research

In previous research, related party transactions (RPTs) have been used as dependent variables to assess their influence on various dependent variables in various countries. This study summarizes several results of previous research on the influence of RPTs on various dependent variables. The first is research by Moataz El-Helaly (2016) [10]. The purpose of this paper is to investigate the effect of related party transactions (RPTs) on the quality of accounting in companies listed on the Greek Stock Exchange. The companies tested were divided into two groups, namely companies that conducted RPTs and companies that did not conduct RPTs. El-Helaly compared the quality of accounting between these two groups of companies. The results show that there is no difference in accounting quality between companies that perform RPTs and companies that perform RPTs. Companies that perform RPTs do not show lower accounting quality than companies that do not perform RPTs. The results of this study support the argument that RPTs are conventional transactions that are mainly carried out for business purposes only. Furthermore, conducted research in Malaysia. The aim of this paper is to investigate the effect of moderation of corporate governance (CG) characteristics on the relationship between RPT and corporate value. In this study, RPTs are divided into two groups, namely beneficial (BRPT) and detrimental (DRPT) RPTs. The study included a panel of 271 companies listed on the Malaysia Stock Exchange during the 2009 period-2011, using a moderated multiple regression model. The results of the study found that the profitable RPT (BRPT) had a positive effect on the company's value and the detrimental RPT (DRPT) had a negative influence on the company's value. In addition, the findings suggest that the divergence between cash flow and control rights can intensify the negative relationship between DRPT and company value. Meanwhile, other CG moderation variables did not successfully moderate the relationship between RPTs and company value. The research findings support the need for further oversight by regulators, policymakers, and standard setters to monitor conflicts of interest in RPTs and restrain the power of related parties to protect their wealth by introducing stricter regulations on RPTs and improving CG practices especially to monitor RPTs in order to limit the opportunistic behavior of related parties. Other findings suggest that investors, creditors, and policymakers should not consider all RPTs as dangerous transactions and it seems necessary to categorize RPTs into different groups for example as adverse transactions and transactions that benefit the company. Next, with the title "Related party transactions, corporate governance and earnings management". This paper aims to examine whether a good corporate governance structure is able to reduce earnings management carried out through related party transactions. The authors estimate that high-quality corporate governance influences the acquisition of private benefits and reduces the positive relationship between related party transactions and earnings management. The research sample is a company listed on the Italian Stock Exchange for the period 2007-2012. The results of the study found that the interaction between sales-related party transactions (RPT_Sale) and corporate governance was negatively related to abnormal accruals, indicating that the quality of corporate governance reduced the positive relationship between sales-related party transactions and earnings management. The results of this study are consistent with the contingency perspective. This research also contributes to the literature by empirically examining the assumptions of contingency perspectives. In particular, the results provide new insights that good corporate governance mechanisms help reduce earnings management behavior through related party transactions.

Conducted a study on the influence of Related Party Transactions (RPTs) and types of RPTs (complex, simple and loan) on earnings quality in four East Asian countries, namely Hong Kong, Malaysia, Singapore, and Thailand. RPT and type of RPT were measured using two approaches, namely magnitude and abnormal (large change). The results show that Companies in these countries experience poor earnings quality when they engage in RPT. The effect of RPT_simple on earnings quality is more severe from RPT_kompleks. However, the presence of higher investor protection and stricter regulatory enforcement in countries such as Singapore and Hong Kong reduce the negative impact of RPTs on earnings quality. The results of this study successfully support the argument that the presence of controlling shareholders in East Asia will likely lead to involvement with RPT, which will increase the likelihood of Company manipulates profit through DAC.

Then Ahmed A. Diab, Ahmed Aboud, Arafat Hamdy (2019) [9], conducted a study focused on companies listed on the Egyptian stock market using a sample of EGX 30 from 2012 to 2017. The purpose of their research was to test the impact of related party transactions (RPT) on company values. Their research results did not succeed in finding a significant relationship between RPT and the market value of the companies in the study sample. This research provides insights for policymakers and other interested parties regarding the perception of RPT in Egypt. The different findings reported from this study confirm the role of local contextual and cultural intermediaries in the relationship between RPT and company values. Next, Analyze the influence of related party transactions (RPT) on earnings quality in companies listed on the Spanish Stock Exchange. They also examines the role of moderation played by female directors in the relationship between RPT and earnings quality. The research sample included non-financial companies registered in Spain from 2005 to 2019. The results show that there is a negative effect of RPT on earnings quality. Further analysis revealed that the negative effects were primarily driven by transactions between the company and its directors and key shareholders, as well as by RPTs that were more likely to reflect insiders and personal interests. Furthermore, they showed that the presence of female directors reduces the negative impact of RPT on the quality of income.

Examined the impact of RPT and directors characteristics on the market value of banks listed in India. Then they evaluated the effect of moderation of board composition on the relationship between the market value of the bank and the RPT. The sample size consists of 38 banks listed on the Bombay stock exchange. The study was based on secondary data for ten years from 2010 to 2019. Their findings show that subsidiary transactions, board size, composition, diligence, promoters, remuneration and leverage of banks have a significant impact on the market value of banks listed in India. Furthermore, the composition of the board of directors positively moderates the relationship between RPT and the market value of the bank as measured using Tobin's Q. In addition, the characteristics of corporate governance have a significant impact on RPT as measured by total RPT and all subsidiary transactions. Their research findings suggest that policymakers, investors, and creditors should not consider all major private transactions to be malicious transactions. Instead, policymakers, investors, and creditors should consider all subsidiary transactions as dangerous in the absence of an independent director. Baban Eulaiwi, *et al*. (2023) [13] investigated the relationship between companies' use of related party transactions (RPTs) and the cost of debt (COD) in Gulf Cooperation Council (GCC) countries. They obtained data from the annual reports and Standard and Poor's Capital IQ database during the period 2005-2016 from non-financial public companies in the UAE, KSA, Oman, Bahrain, Kuwait and the Qatar stock exchange. Using a final sample of 1,810 annual company observations, the authors empirically assessed the relationship between the strategic use of RPT, COD issuance and the moderation effect of governance mechanisms. They found that high levels of total RPT and purchase-based RPT increased a company's COD. In addition, sales props through sales-based RPT upgrades were found to have no significant effect on a company's COD. They also found that ownership factors related to the establishment of family members and royal family ownership negatively moderated the relationship between the company's RPT and COD. Finally, the voluntary establishment of an executive committee has a positive and significant mediating effect on the relationship between the company's purchase-based RPT and COD. Next, Sana Ben Cheikh and Nadia Loukil (2023) [7] examined the influence of the existence of political connections on company performance through related party transactions in Tunisia. The study used a sample of non-financial companies between 2008 and 2014 listed on the Tunisian Stock Exchange. The findings are: First, political relationships and related party transactions improve the company's market performance. Second, the study reveals that political relations moderate the relationship between related party transactions and company performance only in the post-revolution period. Finally, their research shows that politicians are more interested in companies with higher market performance and with a higher number of related party transactions. Research by Sourour Hazami-Ammar (2024) [3] investigated the relationship between related party transactions (RPTs), namely sales RPTs and purchase RPTs, and financial difficulties. This research also explores the role of moderation of various corporate governance mechanisms and the characteristics of audit firms in this relationship. The study covers the period before and during the COVID-19 pandemic and uses a logistics regression model focusing on an eight-year non-cylindrical panel dataset, which includes a sample of companies registered in Oman from 2014 to 2021. Empirical findings reveal a contrasting relationship between RPT penjualan and financial hardship, namely a significant negative relationship in the post-pandemic period, and a positive relationship in the pre-pandemic period. Furthermore, RPT pembelian showed a consistently significant positive association across all periods. Attendance of the Big Four audit-Firm and audit delays are important moderation variables associated with the attributes of an audit firm. Lastly, the board'RPT transaction review, size, meeting, and independence are significant moderator variables related to corporate governance.

Conclusion
The purpose of this study is to review in depth the Related Party Transactions (RPTs) from various international journals from researchers in various countries. This study reviews the definition of related party transactions by institutions that issue accounting standards. This study also summarizes the various dimensions used by previous researchers to measure related party transactions. Next, this study also summarizes various findings from previous research. It is hoped that the review of this study can help future researchers who are interested in conducting research on related party transactions.

References

1. Alhadab M, Abdullatif M, Mansour I. Related party transactions and earnings management in Jordan: the role of ownership structure. J Financ Report Account. 2020;18(3):505-531. DOI: 10.1108/JFRA-01-2019-0014.
2. Alsultan AS. Determinant of the relationship between related party transaction and firm value: Evidence from Saudi Arabia. J Financ Report Account, 2023. DOI:10.1108/JFRA-05-2023-0230.
3. Ammar SH. Related party transaction and financial distress: Role of governance and audit attributes. J Account Organ Change, 2024. DOI:10.1108/JAOC-03-2024-0105.
4. Arisandy N, Rahayu S, Putra WE, Yudi. Literature review: Shariah financial literacy, financial technology and mental accounting on financial satisfaction. Int J Res Finance Manag. 2024;7(2):157-165.
5. Chang SJ, Hong J. Economic performance of group-affiliated companies in Korea: Intragroup resource sharing and internal business transactions. Acad Manag J. 2000;43(3):429-448.
6. Chen JJ, Cheng P, Xiao X. Related party transaction as a source of earnings management. Appl Financ Econ. 2011;21(3):165-181.
7. Cheikh SB, Loukil N. Political connection, related party transaction and firm performance: Evidence from Tunisian context. J Account Emerg Econ. 2023;13(1):22-42. DOI: 10.1108/JAEE-10-2020-0287.
8. Claessens S, Djankov S, Lang LHH. The separation of ownership and control in East Asian Corporations. J Financ Econ. 2000;58(1-2):81-112. https://doi.org/10.1016/S0304-405X(00)00067-2
9. Diab AA, Aboud A, Hamdy A. The impact of related party transactions on firm value: Evidence from a developing country. J Financ Report Account. 2019;17(3):571-588. DOI: 10.1108/JFRA-08-2018-0064.
10. El-Helaly M. Related party transaction and accounting quality in Greece. Int J Account Inf Manag. 2016;24(4): 375-390. DOI: 10.1108/IJAIM-04-2016-0044.
11. El-Helaly M. Related-party transactions: a review of the regulation, governance and auditing literature. Manag Audit J. 2018;33(8/9):779-806.
12. Eulaiwi B, *et al*. Related party transaction, ownership structure and cost of debt: Evidence from GCC listed firm. Account Res J. 2023;35(4/5):471-494. DOI: 10.1108/ARJ-03-2023-0073.
13. Farhan NHS, Almaqtari FA. Market value and related party's transaction: A panel data approach. Asian J Account Res. 2023;8(4):411-424. DOI: 10.1108/AJAR-07-2022-0204.
14. Fooladi M, Farhadi M. Corporate governance and detrimental RPTs. Asian Rev Account. 2019;17(2):196-227. DOI: 10.1108/ARA-02-2018-0029.
15. Gavana G, Gottardo P, Moisello AM. Related party transaction and earnings management in family firm: the moderating role of board characteristics. J Family Bus Manag. 2024;14(1):171-198. DOI: 10.1108/JFBM-07-2022-0090.
16. Hope OK, Lu H. Economic consequences of corporate governance disclosure: Evidence from the 2006 SEC regulation on related-party transactions. Account Rev. 2020;95(4):263-290.
17. The Accounting Association of India. Financial Accounting Standard Statement Number 224: Disclosure of Related Parties, 2022.
18. Lo AWY, Wong RMK. An empirical study of voluntary transfer pricing disclosures in China. J Account Public Policy. 2011;30(6):607-628.
19. Rahmat MM, Muniandy B, Ahmed K. Does related party transaction affect earnings quality? Evidence from East Asia. Int J Account Inf Manag. 2020;28(1):147-166. DOI: 10.1108/IJAIM-12-2018-0146.
20. Ryngaert M, Thomas S. Not all related party transactions (RPTs) are the same: Ex ante versus ex post RPTs. J Account Res. 2012;50(3):845-882.
21. Sanchez CB, Elistratova M, Aleman JP. Related party's transaction and earnings quality: The moderating role of female directors. Int. J Account Inf. Manag. 2023;31(5):726-755.
22. Wang HD, Cho CC, Lin CJ. Related party transactions, business relatedness, and firm performance. J Bus Res. 2019;101:411-425. DOI: 10.1016/j.jbusres.2019.01.066.