

Impact of Ownership Concentration on Financial Performance in China: Moderating Effects of Financial Crime Rates

Jiaqi Li, Phaik Nie Chin

Universiti Sains Malaysia(USM), Penang, Malaysia

*Corresponding author's email id: jiaqili4529@gmail.com

ABSTRACT

This study aims to explore the impact of ownership concentration on the financial performance of Chinese listed companies and to analyse the moderating role of financial crime rates in this relationship. It seeks to reveal the patterns of financial performance under different levels of ownership concentration, as well as the potential influence of external environments on ownership concentration, thereby filling a gap in this field. Grounded in agency theory, this research primarily examines the unbalanced panel data of 2,210 companies listed on China's A-share market from 2014 to 2023. The two-step system Generalised Method of Moments (GMM) approach is employed to address potential endogeneity issues. The findings indicate that in environments with higher financial crime rates, largest shareholder rates exert a negative influence on financial performance. On the other hand, the top five holder 's has a positive impact on financial performance, but this positive effect turns negative in high financial crime rates. This suggests that external environments play a crucial moderating role in the relationship between ownership concentration and financial performance. This study primarily examines the impact of major shareholders and the top five shareholders on financial performance in environments with financial crime rates. However, there remain limitations regarding other factors of corporate governance mechanisms. For instance, CEO characteristics, among others, could be further explored in greater depth. Companies must carefully consider the influence of external environments when optimising their ownership concentration. Simultaneously, policymakers should strengthen financial crime rates regulation to improve ownership concentration and enhance financial performance.

Keywords: Ownership Concentration, Financial Performance, Financial Crime Rates.

