

The Effect of Ownership Structure on Conservatism and Firm Performance: Chinese Evidence

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This paper aims to examine the moderating effect of ownership structure on the effectiveness of firms' governance (GOV) on conservatism and firm performance. Sample companies are selected from Shanghai and Shenzhen exchange stock exchanges for the period 2007 to 2010. Panel data methodology is used to examine the effect of explanatory variables on conservatism and performance. The results show that as predicted, ownership concentration negatively moderates the relationship between GOV and conservatism based on CONACCR measure. Moreover, this paper finds that state ownership negatively moderate the effectiveness of state ownership on firm performance measured by market to book ratio (MTB). The findings of this thesis contribute to the corporate governance and conservatism literature in the context of emerging economies. This study also provides some meaningful implications for policy makers, accounting practice, researchers and users of financial statements in China.

Field of Research: Ownership structure and conservatism