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Board characteristics and firm performance - Evidence from Chinese private listed firms

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ABSTRACT: The purpose of this research is to examine the impact of board characteristics and firm performance in Chinese private listed firms. I use the regression analysis to test the effects of the board meeting, board size, board independence, managerial shareholding, directors without remuneration and chairman's shareholding ratio on firm performance. Based on the sample of the 4023 firm-year observations from 447 private listed firms in China from 2010 to 2018, the results show that the firm performance is negatively associated with board meeting frequency and positively related managerial shareholding. I also find the percentage of independent directors has no relationship with firm performance. However, the findings cannot provide evidence that board size, director without remuneration and chairman's shareholding ratio would affect firm performance. These findings provide some implications for future research on the effectiveness of board directors on private listed firm performance.

Keywords: private listed firms, board characteristics, firm performance, corporate governance.

Data Availability: All data are publicly available from the sources identified in the paper.

I. INTRODUCTION

Recently, an increasing number of articles on the relationship between firm performance and corporate governance have been published in the economic and financial fields. In different countries, a lot of researches were studied on board information and firm performance of public listed firms, in order to better govern the firm and ensure the firm performance as well as its development pace can reach a satisfactory level. Chinese researchers Li and Lai (2004) examined the relationship between characteristics of the board of directors and the Chinese public listed firm's performance and confirmed the relationships. The results from the empirical tests of Krivogorsky (2006) partially support the existing relationship between the board characteristics and firm performance. Samara and Berbegal-Mirabent (2018) concluded that, to some extent, some characteristics of the board of directors could lead to positive or negative development of firm performance.

According to the collected theoretical paper information, though clear and targeted researches on the relationship between board characteristics and firm performance of Chinese listed firms exist, all data is too old to give meaningful direction and guidance to the present. It is better to use data after 2010 to complete new research. In addition, these scholars preferred to do researches on public listed firms and there are not enough

researches on this aspect of private listed firms. Thus, this knowledge gap is the focus of this research paper by selecting data from 2010 to 2018. Hence, the research object in this paper is to examine the relationship between Chinese private listed firm's board characteristics and Chinese private listed firm performance.

Research in this direction is very vital in China and the importance is explained below. Chinese economic development has been able to make such great achievements, private firms have contributed to the essential development. Zhang (2008) stated that since the market-oriented reform in 1980s, a sharply increasing number of private enterprises have been reformed into private listed firms and listed in the stock market of China and overseas successively, which has become an important factor to promote the development of Chinese economy and stock market. Therefore, this paper digs out the relationship between the performance of Chinese private listed firms and the characteristics of the board of directors.

Past academic evidence had already suggested the difference between public listed firms and private listed firms in China. For instance, Chinese researcher Chen (2015) discovered that though both public listed and private listed firms have their own boards of directors, the boards of the private firms are smaller than those of the public ones. He also pointed out that there was a lack of understanding of the board structure and the relationship between board characteristics and firm performance in private firms. As mentioned, most domestic literature focuses on the study of the relationship between the characteristics of the board of directors and corporate performance of public listed enterprises in China. While foreign literature focuses on the relationship between family enterprises and corporate performance, their background is developed market economy system, which is not completely suitable for Chinese national conditions. Under the background of the reform of "the state retreats and the people advances", the position of private listed firms in Chinese economic market is essential (Zhang, 2008).

Targeted at private-controlled listed firms, some scholars have mentioned the relationship between the government and private enterprises (Luo and Tang, 2009), while others have mentioned the relationship between the ownership framework, executive shareholding and the performance of Chinese private listed corporations (Li and Li, 2006). In this paper, based on available literature and information, the major hypotheses in this paper are: A negative relationship exists between firm performance and each of the board meeting frequency, board size and the proportion of board directors without remuneration; No relationship existed between the proportion of independent directors in the board and firm performance; A positive relationship existed between firm performance and either of the proportion of board directors holding shares and the chairman's shareholding ratio in Chinese private listed firms.

Based on a sample of 4023 firm-year observations from 2010 to 2018 and using regression analysis, my conclusion is drawn. First, the more times the board meetings are held, the worse the firm performance is. Second, there is no relationship between firm performance and the proportion of independent directors in the board in Chinese private listed firms. Third, managerial shareholding positively influences firm performance. However, no evidence could support that board size, director without remuneration and chairman's shareholding ratio would affect firm performance.

This study makes some contribution to the existing literature. To some extent, this paper makes up for the problem of too old data in the existing literature and provides various evidence to prove the influence of some board characteristics on firm performance. On one hand, in this paper, I examine the several board characteristics that have never been used to study the impact on firm performance. On the other hand, the empirical results in this paper verify that different board characteristics have effects on firm performance to different extent and in different directions.

The basic framework of this paper is as follows. Section II introduces the literature review with definition explanation and hypothesis development focus on the research question. The research methods and empirical results follow in Section III. Summarization and discussion of the findings are posted in Section IV. Finally, Section V is the conclusion of this paper.

II. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Institutional Background of Chinese Private Firms

By the end of 2018, there were 2,273 private firms of the 3,558 listed firms in China, accounting for 63.88% (Peng, 2018). Wang Jun (2017), director of the state administration of taxation, made a statement in the symposium that the contribution of private enterprises was indispensable to Chinese economic development. However, there is no specific law to restrict the rights and obligations of private listed firms in China. In fact, private listed firms are subject to Chinese Corporation Law, which controls all listed firms. Compared to government ownership, private ownership, which is the main feature of private firms, is explained as the percentage of total shares held by private investors (Chen, 2015). Bai, Lu, and Tao (2006) indicated that entrepreneurs of private listed firms have played so central role in the transition of formerly planned economies to market economies that private sector development in China is so important. Bøhren (2019) and his partners stated that ownership was more concentrated, more persistent, and more changed in private firms than in public firms. Also, family firms, which are similar to private firms, are more pronounced in these differences. In private firms, equity control brings a lot of benefits, even if it is costly. However, because of the culture and economic difference in China, a developing country, and in other developed countries, private listed firms in China still have great differences with family firms in capitalist countries. Chinese scholars Cui, Liang and Lu (2015) indicated that some factors had a very different impact on public and private firms after studying listed firms in China. Thus, this paper focuses on the study of the relationship between the performance of Chinese private listed firms and their board characteristics in order to obtain more information about private listed firms.

Board Meeting

Board Meeting frequency is one of the board characteristics which are used to measure firm performance and applied to corporate governance (Qadorah and Fadzil, 2018). The board meeting also provides a platform for members in boards to timely obtain continuous reports and take strategic financial decisions about the corporation (Eluyela et al., 2018). Chinese Corporation Law clearly states that the board of directors of listed firms shall hold at least two meetings each accounting year. Based on the

research of Chinese private public listed firms, Zhou (2006) verified that a significant negative relationship existed in the frequency of board meetings and firm performance. Qadorah and Fadzil (2018) concluded that a lower frequency and quantity of board meeting would enhance firms' financial performance in Jordan, an Asian developing country. Vafeas (1999) also pointed out that the times of board meetings was inversely related to firm performance. However, studying the data proof from corporations in Japan, the Asian developed country, Bhatt and Bhattacharya (2015) failed to draw a relationship with the frequency of board meetings and firm performance. These research results provide reference evidence and reasonable direction for the research in the Chinese environment. Given the impact of the Chinese economic environment, national conditions in different countries, and the method public and private firms operate, I propose the following assumption:

H1: A negative relationship exists between the board meeting frequency and firm performance in Chinese private listed firms.

Board Size

When it comes to corporate performance, it's hard not to mention board size. The board size, similar to the scale of the board of directors, generally can be seen as the number of directors on board. Article 109 of Chinese Corporation Law stipulates that a board of directors should be constituted by a total of 5 to 19 persons. It is worth noting that the number of board members is usually singular, but it not listed in Chinese Corporation Law. Bashir and Asad (2018) stated in their research paper that the board size is inseparable from the firm performance and the scale of the board also determines whether shareholders' interests can be protected. In addition, they concluded in the study that there was a compelling impact on the firm performance of the size of the board of directors. Kamilah, Khaw, and Wah (2016) showed that board size and firm performance had a firmly positive relationship. Johl, Kaur, and Cooper (2015) also figured out a positive effect on firm performance of larger board size and summed that a positive relationship existed between board size and firm performance in public listed firms. However, Chinese researchers Sun and Zhang (2000) verified that there was a negative relationship between board size and firm performance in Chinese public listed firms. In addition, Zhou (2006) came to the conclusion that there was a negative correlation between board size and performance of Chinese private public listed firms. Hence, a hypothesis is raised based on the above literature:

H2: A negative relationship existed between board size and firm performance in Chinese private listed firms.

Independent Directors

Samara (2018) and his partner wrote in their published article that the definition of independent directors and the definition of other board members are clearly divided. In their summary, independent directors are seen as outsiders of firms and families, and the only relationship between independent directors and businesses is that independent directors are firm directors who are likely to be considered a threat to family control of the firm and may have a very different impact on decision making. However, under the background of China, different scholars put forward different opinions on the

effectiveness of information related to independent directors in improving firm governance. Some researchers have not received evidence that the introduction of independent directors has any beneficial impact on accounting performance measurement (Kato, and Long, 2006). In addition, some scholars have found that the degree of independent directors has no significant positive impact on corporate performance (Xiao, Wei, and Zhou, 2007). In this study, conclusions from the above literature documents are combined to propose the following assumption for the relation with the number of independent directors and the performance of the firm:

H3: No relationship existed between the proportion of independent directors in the board and firm performance in Chinese private listed firms.

Managerial Shareholding

Managerial shareholding is a professional item to describe the directors holding shares in the board of the firm. The capability to coordinate administration and shareholder interests through managerial shareholding is still a critical issue for Chinese listed firms. Song, Zhang, and Zhu (2005) found that managerial shareholding has a consequence on the performance of the firm under the background of Chinese public listed firms. Flath and Knoeber (1985) put forward in their research report that the degree of managerial shareholding can be seen as a part of the contract between managers and shareholders in a specific enterprise. Also, they mentioned in the context that increasing managerial shareholding is able to improve the performance of administrators, and thus improve the firm performance. However, it is at the expense of other shareholders. In the study of some scholars, it seems that managerial shareholding only can alter the composition of the board of directors (Slusky, and Caves, 1991). They also demonstrated that a high management shareholding ratio would encourage management to choose policies that are in line with the interests of shareholders to ensure the maximum value of the firm's revenue. However, as they analyzed and discussed, excessive management equity may even harm firm performance. Nevertheless, other researchers found that there was a positive correlation between managerial shareholding and the change in firm performance in Chinese private firms (Li et al., 2007). Since the direction of their research is closest to the direction of this paper, and the research object of that paper and the research object of this paper are involved in inclusion, the fourth hypothesis of this paper is listed here:

H4: A positive relationship existed between the proportion of board directors holding shares and firm performance in Chinese private listed firms.

Director without Remuneration

The definition of the director without remuneration is that the number of directors without remuneration, or the number of directors who are not receiving remuneration. Board remuneration has long been a subject of curiosity and internal sensitivity. After studied optimal contracting theory, Aslam, Haron, and Tahir (2019) conducted the study that an astounding degree of firm performance is ought to appear when an effective director's remuneration agreement comes into effect. Based on empirical analysis, Ibrahim, Zin, Kassim, and Tamsir (2019) raised the view that remuneration is considered to be a kind of incentives to affect the directors of a firm’s affairs decision-

making and strategic decision in the listed firms and then it has a significant impact on the performance of firms. However, they also found that higher wage is not into a bigger contribution for the which firm directors' performance made. Besides, from an international perspective, Lommers (2019) admitted the existence of a positive relationship between firm performance and board directors' remuneration in the listed corporations. To sum up, existing pieces of literature generally focus on the influence of director remuneration on firm performance. The information of the number of unpaid directors of Chinese private listed firms could be accessed and it is regarded as a perspective of possible linkage with the firm performance that deserves to be studied and demonstrated. Therefore, a new and challenging hypothesis of this paper is proposed:

H5: A negative relationship existed between the proportion of board directors without remuneration and firm performance in Chinese private listed firms.

Chairman's Shareholding Ratio

The shareholding ratio of the chairman is one of the four important indicators of the shareholding of entrepreneurs. As shown in their research paper, Zhou (2018) and his partners found that the higher the shareholding ratio of private entrepreneurs is, the better the firm performance will be. It is easy to understand that the increase of the chairman's shareholding makes him pay more attention to the value of the company stock, so he would like to treat business activites that may affect the firm performance with more enthusiasm and higher standards. Over time, the company's performance will grow. Thus, the last hypothesis is raised:

H6: A positive relationship existed between the chairman's shareholding ratio and firm performance in Chinese private listed firms.

III. RESEARCH METHOD AND EMPIRICAL RESULTS

Data Source and Sample Selection

The sample period is from 2010 to 2018. The data consist of two types: (1) financial statement and stock market information, which I obtained from Accounting Research Data Base (CSMAR); (2) information of the board of directors in private listed firm I also obtained from Accounting Research Data Base (CSMAR).

I begin to construct my sample with all the available firm-year observations from the information of private listed firms of CSMAR. I obtain 15984 observations for the period from 2010 to 2018, from which I delete 8492 observations that correspondent private firms listed in 2010 and later, and 3469 observations with incomplete data in each year from 2010 to 2018. My final sample contains 4023 firm-year observations from 447 unique firms. The software Stata is used to process and run the data.

Research Methods

If the research only looks at the data without the influence of different years, the ordinary least squares method (OLS) is the most common and simplest way for linear regression models to solve cases which aim to find out the relationship between two items (Azar, Rad and Botyari, 2014). Since data from various firms over nine years is used in this paper, it is necessary to process the data with the panel data, as known as

random-effects GLS regression. Explained variables, explaining variables and control variables need to be defined in detail before listing the model.

Indicator of Firm Performance

Besides, the important indicator of firm performance should be selected carefully according to the actual situation. Though the explanation of firm performance was defined differently by various researchers, the researchers prefer to describe financial measures by using accounting indicators (Marimuthu, Arokiasamy and Ismail, 2009). According to literature, Johl, Kaur, and Cooper (2015) used ROA (return of assets) to measure firm performance. Besides, Wernerfelt and Montgomery (1988) wrote in their paper that Tobin's q (TBQ) was used as a measure of performance and conduct the analysis at the firm level. In addition, Bauer, Guenster, and Otten (2004) figured out that net profit margin (NPM) and return on equity (ROE) are used to approximate firm performance in their research. Furthermore, since ROA (the total return on assets) contains both firm efficiency and firm profitability, it is generally considered as strong evidence of overall performance and is frequently used by researchers as an indicator of firm performance (Hunton, Lippincott, and Reck, 2003). According to the actual situation of data collection, ROA (return of assets) is regarded as the measurement index of firm performance in this study.

Research Model

Therefore, the relationship between board characteristics and firm performance has been tested by using the following model:

$$\mathrm{PERF}_{it}=\beta 0 + \beta 1\ \mathrm{BMTMS}_{it} + \beta 2\ \mathrm{BDNUM}_{it} + \beta 3\ \mathrm{DBDBR}_{it} + \beta 4\ \mathrm{HSBNR}_{it} + \beta 5\ \mathrm{UPBNR}_{it} + \beta 6\ \mathrm{PRESHRT}_{it} + \beta 7\ \mathrm{LIQR}_{it} + \beta 8\ \mathrm{LNSIZE}_{it} + \varepsilon_t$$

In the formula above, subscript it represents the indicator of i firm in t year, β1-8 represent regression parameter, and ε_t indicates the residual value.

In Table 1, the left column shows symbol, the middle column is the symbol definition, and the right one gives the sources of the information. Board characteristics are the variables used in this study and consist of the board meeting, board size, independent directors, managerial shareholding, directors without remuneration and chairman's shareholding ratio. I also control for: 1) firm size measured using the natural log of assets and expected to be positively related to the firm performance; 2) liquidity ratio, which is expected to be positively associated with the firm performance.

Descriptive Statistics

Table 2 represents the descriptive statistics of the selected data. The average of ROA (PERF) is 0.033 with a minimum of -6.78 and a maximum of 8.44. The times of board meetings (BMTMS) ranged from 1 to 46 and the mean is around 10. The average of board size (BDNUM) of sample firms is 8.547 with a range from 4 to 20, of which the minimum value and the maximum value are not within the limits of the Chinese Corporate Law that BOD should be constituted by a total of 5 to 19 persons. In this sample, the mean value of the percentage of independent directors (DBDBR) is 0.373

with the highest value of 0.667 and the lowest value of 0.182. Plus, the average value of the proportion of directors holding shares (HSBR) in the board of the firm is 0.248 in a range from 0 to 1. In terms of the proportion of directors who are not receiving remuneration (UPBR), the sample firms have an average ratio with a mean of 0.165 ranges between 0 and 0.667. For the chairman's shareholding ratio (PRESHRT), the mean value is 0.0579 with a minimum of 0 and a maximum of 0.63.

TABLE 1:
Variables Definition

Explained variable		
PERF	The indicator of firm performance, ROA (return on assets)	CSMAR
Explaining variable		
BMTMS	The times or the frequency of board meetings	CSMAR
BDNUM	The board size, the number of directors	CSMAR
DBDBR	The proportion of independent directors	CSMAR
HSBR	The proportion of directors holding shares in the board	CSMAR
UPBR	The proportion of directors who are not receiving salaries	CSMAR
PRESHRT	Chairman's shareholding ratio	CSMAR
Control Variable		
LIQR	Liquidity ratio, current assets/current liability	CSMAR
LNSIZE	Total assets	CSMAR

TABLE 2:
Descriptive Summary

Variable	Obs.	Mean	Std. Dev.	Min	Max
PERF	4023	.0325772	.2174766	-6.776	8.4414
BMTMS	4023	9.926672	4.303947	1	46
BDNUM	4023	8.545116	1.701314	4	20
DBDBR	4023	.3731099	.0545992	.1818	.6667
HSBR	4023	.2476421	.2308823	0	1
UPBR	4023	.1640567	.1781345	0	.6667
PRESHRT	4023	.0581405	.1110671	0	.63
LIQR	4023	2.384297	4.513652	0	204.7421
LNSIZE	4023	22.01364	1.296303	17.04874	29.42192

Pwcorr Correlation Matrix

Before running the panel data, pre-analysis of the correlation of all variables is necessary. Through the execution of the command pwcorr, information about correlation coefficients among variables could be observed in Table 3. Above the significance level of 5%, firm performance is associated with the times of board meetings (BMTMS) and chairman's shareholding ratio (PRESHRT) reversely, and with the managerial shareholding (HSBR) positively.

TABLE 3:
Correlation Matrix – Board Characteristics

	PERF	BMTMS	BDNUM	DBDBR	HSBR
PERF	1.0000				
BMTMS	-0.0329**	1.0000			
BDNUM	0.0012	0.0328**	1.0000		
DBDBR	0.0023	0.0069	-0.5033***	1.0000	
HSBR	0.0467***	0.1143***	0.0289*	0.0007	1.0000
UPBR	-0.0262*	-0.0223	0.0924***	-0.2071***	-0.2997***
PRESHRT	0.0371**	-0.0301*	-0.0994***	0.1431***	0.4434***
LIQR	0.0507***	-0.0963***	-0.0548***	-0.0045	0.0343**
LNSIZE	0.0483***	0.3118***	0.2351***	-0.0431	0.1025***

	UPBR	PRESHRT	LIQR	LNSIZE
UPBR	1.0000			
PRESHRT	-0.2748***	1.0000		
LIQR	-0.0330**	0.0794***	1.0000	
LNSIZE	-0.0080	-0.1216***	-0.1608***	1.0000

Note: * significant at 10% level, ** significant at 5% level, *** significant at 1% level.

Regression Results

Table 4 presents the regression results from running the generalized least squares (GLS) regression model. First, the coefficient for times of board meeting (BMTMS) is negative and significant at 1% level and supports H1. As for the board size (BDNUM), the coefficient is negative and insignificant which shows that there is no significant relationship between board size (BDNUM) and firm performance and rejects H2. The regression coefficient of the proportion of independent directors (DBDBR) is negative and insignificant, supporting H3. Another result indicated for the proportion of directors holding shares in the board of the firm (HSBR) and firm performance that the coefficient of them is positive and significant at the 10% level. This supports H4. The coefficient of the proportion of directors who are not receiving remuneration is negative and insignificant while the coefficient of chairman's shareholding ratio is positive and insignificant, which means the firm performance is not affected by the proportion of

directors without remuneration (UPBR) and the ratio of chairman's shareholding (PRESHRT), rejecting both H5 and H6.

TABLE 4:
Regression Results - Board Characteristics

PERF	Coef.	Std. Err.	z	P>|z|	[95% Conf. Internal]	
BMTMS	-.0026479	.0008411	-3.15	0.002***	-.0042964	-.0009994
BDNUM	-.0014064	.0024008	-0.59	0.558	-.0061119	.0032992
DBDBR	-.0195627	.0744779	-0.26	0.793	-.1655367	.1264113
HSBR	.0289866	.0173013	1.68	0.094*	-.0049223	.0628964
UPBR	-.0114730	.0207863	-0.55	0.581	-.0522133	.0292674
PRESHRT	.0455468	.0357351	1.27	0.202	-.0244925	.1155863
LIQR	.0025613	.0007700	3.33	0.001***	.0010521	.0040704
LNSIZE	.0118556	.0029287	4.05	0.000***	.0061154	.0175958
_CONS	-.1968462	.0694695	-2.83	0.005***	.3330039	-.0606885

Note: * significant at 10% level, ** significant at 5% level, *** significant at 1% level.

IV. DISCUSSION

First, the coefficient for times of board meeting (BMTMS) is negative and significant at 1% level and supports H1. It tends to explain that the more frequent the board meetings are held the poorer firm performance is. This finding reaches an agreement with the research result of Zhou (2006), who verified that significant negative relationship existed in the frequency of board meeting and firm performance because meetings too often is a sign of inefficient of the board of directors. However, some firms' board size does not comply with national laws and regulations, need to be taken seriously.

As for the board size (BDNUM), the coefficient is negative and insignificant which shows that there is no significant relationship between board size (BDNUM) and firm performance, which rejects H2. It seems that the number of directors has no significant influence on firm performance. The possible reason is that the boards of the private firms are smaller than those of the public ones, discovered by Chinese researcher Chen (2015). Moreover, in this paper, the dispersion degree of the scale of the board of directors in the sample data is not great, so the number of people is concentrated in a small range. It may cause that the reflected relationship between board size and firm performance is insignificant. It is possible that the insignificant result may be reasonable in Chinese listed firms.

The regression coefficient of the proportion of independent directors (DBDBR) is negative and insignificant, supporting H3. It also matches the result from Kato and Long (2006), who not received evidence that the introduction of independent directors has any beneficial impact on performance measurement. It is likely that the newly established independent director system has no significant influence on the performance of Chinese private listed firms, under the special economic background of

China (Zhang, 2014).

Another result indicated for the proportion of directors holding shares in the board of the firm (HSBR) and firm performance that the coefficient of them is positive and significant at the 10% level. This is consistent with Li et al. (2007) that there was a positive correlation between managerial shareholding and the change in firm performance, and supports H4.

The coefficient of the proportion of directors who are not receiving remuneration (UPBR) is negative and insignificant. It suggests that firm performance is not affected by the proportion of directors without remuneration and rejects H5. Because no past literature review studied the relationship between directors without remuneration and firm performance in Chinese private listed firms, the trend in China is likely different from the ones of others. After all, there is still a big gap between private listed firms and public listed firms in China. The Chinese economy has indeed faced certain transformation pressure and the private listed firms have faced more than others (Cui, Liang and Lu, 2015). It may push all directors to devote themselves to governing the firms regardless of receiving remuneration or not.

The coefficient of the chairman's shareholding ratio (PRESHRT) is positive and insignificant, which shows the ratio of the chairman's shareholding and firm performance has no correlation. It rejects H6. It may be explained because the correlation is positive but not significant enough. The result could be explained as the insufficiency of samples. And economic conditions in different countries can also affect the outcome differently (Cui, Liang and Lu, 2015).

VIF of Validity

To check the stationary of the data, Variance inflationary factor (VIF) has been applied to see if any problem of multi-co-linearity exists. In table 5, the VIF value corresponding to each variable, as well as the mean value, is well below 10. Therefore, VIF eliminated the possibility of multicollinearity in data variables.

TABLE 5:
VIF Results

Variable	VIF	1/VIF
BDNUM	1.43	0.699162
DBDBR	1.42	0.705409
HSBR	1.37	0.731025
PRESHRT	1.35	0.740472
LNSIZE	1.24	0.809289
UPBR	1.18	0.850783
BMTMS	1.12	0.890142
LIQR	1.04	0.965716
Mean VIF	1.27	

Furthermore, the selection of the data sample, the adoption of research methodology and the construction of the model in this paper are follow the thoughts of prior researches from Johl, Kaur, and Cooper (2015) and Azar, Rad and Botyari (2014) in examining the impact of board characteristics and firm performance. Also, most results and trends in my paper match the existing conclusion in other literature. Hence, the reliability of this paper gets further assurances.

Limitations

Limitations in this paper is the sample size is not very big after selection. It is because all the data on sample companies need to be complete within the selected years, and companies cannot be listed in or after those years. In addition, some factors of board characteristics, such as directors without remuneration, were never studied by previous researchers. I suppose these scholars were more concentrated on other obvious characteristics. Thus, I have no opportunity to compare some results in this paper with other empirical results, unfortunately.

Theoretical Contribution

Due to the continued importance of the board of directors to firm performance, in this study, I examined the effects of some boards of director's characteristics on firm performance in Chinese private listed firms. This research provides a perspective of the relationship between the firm performance of private listed firms and the characteristics of the board of directors. And this article is made with the latest data, which can provide more meaningful direction and guidance for future research. The existence of this paper also laid a foundation for future research about private listed firms to draw more accurate and in line with Chinese national conditions.

V. CONCLUSION

First, the more frequently the board meetings are held, the worse the board's ability to solve problems and the lower the efficiency, resulting in the company's performance cannot go up. Therefore, it is suggested that directors of private listed firms should improve their ability to solve corporate affairs in order to effectively improve corporate performance. Second, the study seems to be consistent with previous researches that there is no relationship between firm performance and the proportion of independent directors in the board in Chinese private listed firms. Third, the larger the managerial shareholding is, the better the firm performance is. However, the findings cannot provide evidence that board size, director without remuneration and chairman's shareholding ratio would affect firm performance.

With the passage of time, the improvement of the law, and the increase of the company's operating years, the limitations mentioned in the previous conclusions of this paper are likely to be eliminated. Therefore, this paper calls scholars to realize the importance of private enterprise information and encourage more researchers to seek out relevant information to make a better contribution to the corporate governance of private listed firms.

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