

A Study of the Relationship between Shareholding Structure and Firm Performance: An Example of Chinese Listed Insurance Companies

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Abstract—The insurance industry is significantly different from the general enterprises in terms of management methods, capital structure and asset recognition, and profit models. With the development of Chinese insurance industry, China has continuously introduced new policies to ensure its healthy development. There are strict regulations on ownership structure and business supervision. In 2008, after the international financial crisis, many Chinese enterprises exposed their shortcomings in management mechanisms, especially the issue of corporate governance in the insurance industry. This paper studies the relationship between equity structure and company performance from three aspects: equity concentration, equity balance and proportion of circulating foreign shares. The empirical results show that the higher the concentration of equity, the greater the positive affect the corporate performance, and the ratio of equity balance and the proportion of foreign shares in circulation does not have much impact on the corporate performance.

Keywords—Chinese Listed Insurance Company; Corporate Performance; Ownership Structure.

Abbreviations—Concentration of Shares (COS); Corporate Scale (CS); Debt Asset Ratio (DAR); Equity Balance (EB); Proportion of Foreign Shares Outstanding (PFSO); Return on Assets (ROA); Return on Equity (ROE).

I. INTRODUCTION

THE earliest insurance business in China was carried out by foreign insurance companies, and the development time was late. In 1958, China no longer handled insurance business, and the development of the insurance industry was blocked. Subsequently, in 1979, the insurance business began to recover and developed rapidly. After the establishment, merger and restructuring of insurance companies, the insurance market in China gradually matured and diversified. In addition, there have been many disputes in the process of continuous development of the insurance industry. For this reason, the State Council and the China Insurance Regulatory Commission have successively promulgated many insurance-related policies and laws and regulations, which can strengthen the regulation and supervision of insurance business and insurance products, so that the insurance business has a law that can be followed,

and the interests of both parties can be guaranteed. After the reform and opening up, as the degree of openness of the Chinese market deepened, many foreign insurance companies were attracted to enter the Chinese development business. The influx of foreign insurance companies has brought new subjects to the Chinese insurance market and stimulated the further development of Chinese insurance industry. Table 1 shows the original premium income of insurance companies from 2007 to 2015. The information in the table is compiled by the CIRC according to the financial statements submitted by each insurance company.

As can be seen from the above table, the growth rate of the original premium income of the insurance industry is not stable. In 2011, there was a negative growth, and then the growth rate began to rise again. After nine years of development, the original premium income of the insurance industry rose by 245%, of which the original premium income of property insurance rose by 303%, and the original

premium income of personal insurance increased by 220%. It can be seen that the development of Chinese insurance industry has been very rapid in this nine years. In the two decades before 2008, the global economy has developed rapidly and the Chinese insurance industry has been rapidly affected by its influence. After the financial crisis in 2008, the global economic recession has affected the development of all walks of life. In the insurance market, the operating capacity of Chinese insurance industry has been weakened due to the continued decline in premium income growth and the shrinking of the insurance industry's profits caused by low interest rates.

Table 1: Premium Income of Chinese Insurance Industry

Year	Property Insurance	Life Insurance	Total	Growth
2007	20,864,844	49,489,681	70,354,525	
2008	24,462,491	73,375,667	97,838,158	39.06%
2009	29,928,989	81,441,829	111,370,818	13.83%
2010	40,268,932	105,008,832	145,277,764	30.45%
2011	47,790,587	95,600,039	143,390,626	-1.30%
2012	55,298,817	99,578,863	154,877,680	8.01%
2013	64,811,619	107,409,258	172,220,877	11.20%
2014	75,444,011	126,902,846	202,346,857	17.49%
2015	84,232,647	158,591,310	242,823,957	20%

Source: China Insurance Regulatory Commission (Unit: 10,000 CNY)

At present, the research related to the ownership structure is still the focus of attention of the business community and the accounting community. Corporate governance is a common problem in Chinese companies. The first thing to solve corporate governance problems is to find an equity structure that is consistent with the characteristics of each industry and establish an equity mechanism that is in line with the enterprises' actual situation. The existence of corporate governance structure is to better serve the corporate performance. In modern management theory, the ownership of the enterprise is controlled by the shareholders, and the management rights of the enterprise are controlled by the management. The corporate governance structure must handle the investment income of the shareholders, coordinate the relationship between the various stakeholders of the enterprise and improve the self-resistance risk ability. After a long period of hard work, Chinese companies have achieved good results in corporate governance, but the problem of equity imbalance still exists, and improving corporate governance is still facing a severe test.

The insurance industry belongs to the financial industry. Insurance companies are significantly different from general companies in terms of management methods, capital structure and asset recognition, and profit models. With the development of Chinese insurance industry, China has continuously introduced new policies to ensure its healthy development. There are strict regulations on ownership structure and business supervision. In 2008, after the international financial crisis, many Chinese enterprises exposed their shortcomings in management mechanisms, especially the issue of corporate governance in the insurance

industry. In recent years, corporate governance issues have received more and more attention from domestic regulatory authorities and corporate executives. It is considered to be the primary problem that listed companies need to solve. The failure of corporate governance will affect the continued operation of listed companies and infringe the interests of small and medium shareholders.

There are many types of shareholding structure of Chinese listed companies, but most of them are state-controlled and have a high holding ratio. Under this circumstance, the development direction of the enterprise cannot be decided by itself, but should be managed according to the government's decision-making. Although there is state support and enterprises have strong financial support, they will also weaken the management of business managers, and cannot effectively exercise their rights to promote enterprise development. Therefore, by changing the shareholding structure, it is beneficial to the growth of enterprises. Therefore, this paper attempts to explore the relationship between the shareholding structure and company performance of Chinese listed insurance companies, and proposes improvements based on the research conclusions. The contribution is to find the equity structure of Chinese listed insurance companies that are more suitable for the current stage.

II. LITERATURE REVIEW

The earliest research on the relationship between equity structure and corporate performance began with Berle & Means [1] using US listed companies as a sample to study the ownership structure, and indicated that the more dispersed the equity, the better the corporate performance. Subsequently, based on a series of studies, many scholars studied the conflict of interest between the corporate internal management and business owners based on the principal-agent theory of interest judgment criteria [Spiller, 2; Jensen & Meckling, 3], and some scholars will focus on research. The relationship between the shareholding structures of listed companies in developed countries and corporate performance [Lloyd et al., 4; Demsetz & Lehn, 5; Morck et al., 6; Hermalin & Weisbach, 7; McConnell & Servaes, 8; Cho, 9]. Corporate governance influences and determines the development prospects, also relates to the healthy development of the entire industry. The concentration of equity and the composition of equity are the two contents of the shareholding structure. The shareholding ratio of shareholders reflects the concentration of ownership. The absolute controlling shareholder holds more than half of the corporate shares and has absolute control over the company; if the company does not have major shareholders, the ownership and management rights are basically completely separated and the proportion of shares held by individual shareholders is below 10%, indicating that the shares are highly dispersed; and the company has larger relative controlling shareholders and other major shareholders, and the proportion of shares held is between 10% and 50%. A

reasonable shareholding structure can effectively improve the corporate performance. Most of the listed insurance companies in China belong to the third case, that is, they have larger relative controlling shareholders and also have other major shareholders.

In many developed capital economies, most companies have a high concentration of equity, and shareholders with high equity have absolute control over the enterprise, such as the United States, Germany, Japan and other countries. In this case, whether in a highly developed country or a less developed country, the corporate main agency problem is no longer a proxy conflict between the manager and the owner, but the conflict of interest between the controlling shareholder and the minority shareholder [Shleifer & Vishny, 10]. In the study of the relationship between equity concentration and corporate performance, some research results showed that the higher the concentration of equity, the corporate performance will be significantly improved. Kapopoulos & Lazaretou [11] combined the situation of endogeneity and simultaneousness in the study of the relationship between the two, and the results show that there is a significant positive correlation between corporate performance and equity concentration. Kang & Kim [12] used the fixed-effect model and GMM model to conduct empirical research on the listed companies in China from 1994 to 2001. The results show that the higher the concentration of equity, the higher the corporate performance. Some scholars have drawn different conclusions. Thomsen & Pedersen [13] based on the discussion of the interaction between enterprise performance and equity concentration in different countries, and learned that in the United States, Britain and other countries, because of the low concentration of equity, whether the equity is Concentration has no substantial impact on the corporate operations. Djanko et al., [14] believes that the controlling shareholder can transfer the corporate resources to other companies through related party transactions, affecting the corporate development.

Researchers have drawn different conclusions about the impact of equity checks and balances on corporate performance. For example, Shleifer & Vishney [15] indicated that the higher the degree of equity checks and balances, the better the company's operating performance. Su [16] concluded that there is a significant positive correlation between equity balance and company performance as measured by ROA. Volpin [17] used the data of listed companies in different countries as a sample. The research results show that the ownership structure of equity checks and balances is effective in restricting the deprivation of controlling shareholders, and can better improve the value of listed companies. Cremers et al., [18] suggested that when there is only one major shareholder in the company, the supervision incentive is very strong, which is beneficial to the company's performance. When the company not only has one major shareholder, it will increase the operation and management expenses of the enterprise and affect the improvement of the company's performance. Laeven &

Levine [19] found that the company's value has a positive relationship with the company's equity balance. Henk et al., [20] presented that major shareholders other than controlling shareholders have the ability and intention to protect the interests of minority shareholders and are willing to work hard to improve corporate performance. Claessens [21] argued that when control is greater than its ownership, it uses its control to obtain private benefits from the company. Attig [22] suggested that when the company's voting rights are in the hands of a major shareholder, it will aggravate the company's agency problem.

Through the collation of empirical research on the relationship between ownership structure and company performance, the previous research mainly used the financial data of listed companies in a certain period of time as a sample, and the research conclusion has not yet reached a unified. The analysis of the results may due to the sample industry is different and there is no comparability, on the other hand, when the same company is in different stages of development and in different positions in the industry, the most suitable ownership structure will be different, choose different. The ownership structure will also have different impacts on company performance. Third, the different performance indicators used in previous studies have led to differences in research results. The financial indicators used in the previous research to measure business performance can be divided into stock market indicators and accounting indicators. The two are measured by Tobin Q and net profit, or the accounting indicators based on net profit to measure corporate performance.

III. METHODS

3.1. Data and Sample Selection

Since the financial information of listed companies is easier to obtain and more accurate, this paper selects the listed insurance companies as research objects. Since the companies listed on the N shares and the H shares are different from the accounting standards used by the companies listed on the A shares, the financial information is not comparable, so it is excluded and only retained in the A-share listed companies. There are currently four insurance companies listed on the A-share market, including China Life Insurance (601628), China Ping An (601318), China Pacific Insurance (601601) and Xinhua Insurance (601336). This article uses the quarterly data for 2012-2015 as a sample. The information in this article comes from Sohu Finance, Netease Finance and the financial database of Guotai An listed company.

3.2. Variables

3.2.1. Dependent Variable

Corporate performance is usually measured by Tobin Q, return on assets (ROA), and return on equity (ROE). The return on assets (ROA) represents the ratio between the net income of the company and the average value of the total assets, focusing on the relationship between the efficiency of

asset and capital. Return on equity (ROE) is a comprehensive indicator used internationally to reflect the profitability of assets. It has a wide range of applications and is a reflection of business performance and financial performance. The comprehensive indicators are mainly used to measure the profitability of enterprises using shareholder investment capital. In the literature review, some scholars used the return on equity (ROE) to measure company performance, but according to modern financial theory, since the calculation results of total return on assets (ROA) and return on equity (ROE) are still based on net profit, they are not fully consistent with the embodiment of corporate value.

Tobin Q proposed by Tobin [23] reflects the corporate market performance or stock returns. It is the ratio of the corporate market value to the replacement value of assets. It is the most important financial indicator for measuring the profitability of listed companies. If the Tobin Q value is bigger than 1, it means that the total asset value of the company is greater than the asset cost invested by the company, that is, the replacement cost. It also means that the company can accumulate wealth at this time. If the Tobin Q value is smaller than 1, it means that the total asset market value of the enterprise created is less than the cost of assets invested by the company, and the company does not create value. The accounting indicators involved in Tobin Q value include total liabilities, total assets and total number of shares which are the actually accounting indicators with higher transparency. In addition, although the Chinese market is not effective, there are artificially manipulated stock prices, but the transaction price can reflect the information of the listed company. Therefore, this paper selects Tobin Q value to represent the corporate performance as the explanatory variable.

3.2.2. Independent Variables

A. Concentration of Shares (COS)

It indicates that the quantitative standard of dispersion or concentration is reflected due to the difference in the proportion of shares held by shareholders. It is a key indicator for assessing the corporate equity distribution and stability. It can evaluate whether the company has the controlling shareholder and the controlling shareholder's power. This paper uses the shareholding ratio of the largest shareholder to represent the concentration of ownership.

B. Equity Balance (EB)

It means that several major shareholders have control at the same time, using internal checks and balances, so that all individual shareholders have no way to control decisions on their own, and realize the form of equity investment that is supervised by shareholders. It can show the advantage of concentrated equity and effectively curb large shareholders to act that harm the interests of listed companies. This paper uses the Z index to represent the company's equity balance,

calculated as the ratio of the shareholding ratio between the largest shareholder and the second largest shareholder. The larger the Z index, the greater the difference between the strength of the largest shareholder and the second largest shareholder. The greater the advantage of the largest shareholder, the weaker the balance of equity.

C. Proportion of Foreign Shares Outstanding (PFSO)

This paper selects the proportion of foreign shares in the top ten shareholders to explore the impact of tradable foreign shares on company performance.

3.2.3. Control Variables

The performance of enterprises is affected by many aspects, such as management level and production scale. In order to eliminate the influence of exogenous variables on the explained variables to let the research results are more reliable. This paper also needs to introduce certain control variables. Considering that some characteristics of the company will affect the corporate performance, this paper selects the scale and capital structure of companies as control variables.

A. Corporate Scale (CS)

The multiple possibilities of events reflect the asymmetry of access to information. They can use the scale and the time of establishment of companies to represent such diverse possibilities. The larger the company, the stronger the ability to withstand risks and the development is more stable. It usually takes the logarithm of the total assets as the company scale.

B. Capital Structure (DAR)

Represented by the corporate debt asset ratio (DAR), the enterprises increase the capital by issuing new shares or financing. The capital structure is an indicator that creditors need to refer to maintain their capital preservation and appreciation. It affects the rights and obligations of corporate shareholders, creditors, and the corporate shareholding structure.

3.3. Hypothesis and Models

If the equity is dispersed, shareholders holding a small shareholding ratio will not actively the behavior of monitoring managers. If the equity is concentrated in several shareholders, they will pay more attention to the corporate benefits and are willing to pay for more returns, and do their best to work for the company to improve the business ability of the company and get the return on investment that they want, furthermore, other shareholders will choose "free rider" to get some benefits [Berle & Means, 1]. If the equity is decentralized, the proportion of each shareholding will not be large, even the largest shareholder, the rights that can be exercised are small, resulting in their inability or motivation to constrain the behavior of management, and will increase the cost of supervision for small and medium shareholders and management. At this point, management can use

information asymmetry to select some options or project investment decisions that are beneficial to them rather than the most beneficial to the company, infringe shareholders' rights and benefits, and corporate performance.

When the concentration of equity is high, the controlling shareholder's influence in the company increases, the ability to restrain the management is improved, and the management is afraid of the rights of the controlling shareholder, and must fulfill the company's interests as the first consideration for improving performance of the company. If the companies have other major shareholders in addition to the controlling shareholder, when the benefits of the other major shareholders are the same as those of the controlling shareholder, then they can make correct decisions with the controlling shareholder for the corporate development. When the shares of other major shareholders are close to the controlling shareholder, they may unite to compete against the controlling shareholder and make a confrontation with the controlling shareholder for the sake of self-control, and for the benefit of the controlling shareholder without knowing it. This paper proposes the first assumptions:

H1: The concentration of ownership is positively related to the performance of listed insurance companies.

And the model is expressed as follows

$$16 \circ \tag{1}$$

If the equity is highly concentrated and the controlling rights of shareholders are large enough, the corporate affairs are more willing to be personally involved to reduce the contradiction between the owner and management. If the company has a controlling shareholder and other major shareholders, then other major shareholders will limit and restrict the behavior of the controlling shareholder for their own interests. If the controlling shareholders' rights are large enough, the proportion of shares held by them is sufficient, and they may abuse their powers when making corporate decisions, and they are not constrained for their own privacy. At this time, if the equity of the controlling shareholder is appropriately reduced and other major shareholders exist, the behavior of the controlling shareholder will be suppressed, and the controlling shareholder will be prevented from excessively infringing the benefits of the minority shareholders. However, when the proportion of other major shareholders is large enough, there is also the possibility that they will unite against the controlling shareholder. Under such circumstances, due to the excessive containment of several major shareholders, it is difficult for the controlling shareholder to exercise power, which may generate negative emotions and make decisions that harm the corporate benefits. Due to the excessive compulsory balance between major shareholders and frequent control rights, the operating expense ratio has increased significantly. Some companies have situations of double board, this increases the operating and management costs of enterprises, and may lead to related transactions which will seriously infringe upon corporate profit. If the companies do not have an absolute controlling

shareholder, but only has a few shareholding ratios of shareholders, they are likely to have internal struggles for their own benefits, vicious competition, leading companies to miss some good investment projects or programs and affecting the development. This paper proposes the second assumptions:

H2: The balance of equity is positively related to the performance of listed insurance companies

And the model is expressed as follows

$$16 \circ \tag{2}$$

As the openness of the Chinese market continues to deepen, more and more foreign investment groups want to inject Chinese companies, and insurance companies will allow foreign capital to participate in capital absorption. The introduction of foreign stocks enhances the financial strength of enterprises and brings some new technical guidance and management concepts, increases motivation for enterprise innovation to promote company performance by improving company management and production technology. The last assumption of this paper is

H3: The proportion of circulating foreign shares is positively related to the performance of listed insurance companies.

And the model is expressed as follows

$$\tag{3}$$

IV. EMPIRICAL RESULTS

4.1. Descriptive Statistics

Descriptive statistical analysis can provide a preliminary understanding of the gaps between the variables, the average level, the optimal and the worst level, so as to carry out preliminary collation and preliminary statistical analysis of the research data. The analysis results are shown in Table 2.

Table 2: Descriptive Statistics

Variables	Minimum	Maximum	Median	Mean	Standard Error
TQ	0.09	0.42	0.21	0.21	0.08
COS (%)	5.27	68.37	31.23	34.91	21.18
EB	1.01	6.11	2.07	1.97	1.03
PFSO (%)	0.00	2.01	0.00	0.32	0.51
CS	17.60	19.98	18.63	18.70	0.76
DAR (%)	85.31	93.15	89.95	89.65	2.85

As shown in Table 2, to measure the performance of insurance companies, the minimum value of Tobin Q is 0.09, which is not much different from the maximum value of 0.42, and the standard deviation is 0.08, indicating that the four insurance companies do not have different performance levels during the study period. During the study period, the Tobin Q values of the four listed insurance companies were all less than 1, indicating that the asset cost invested by the companies did not create the total asset market value. From

the data point of view, the equity of the four companies is relatively concentrated, and there are other major shareholders while there are major shareholders. The ratio of the proportion of foreign-funded shares of the four listed insurance companies is 2.01%, the minimum value is 0.00%, and the standard deviation is 0.51%. The gap is small and the shareholding ratio is small will result in shareholders having no right to speak in the enterprise.

The minimum size of the enterprise scale is 17.60, the maximum is 19.98, the median is 18.63, the average is 18.70, and the standard deviation is 0.76, indicating that the size of the four listed insurance companies is not very different. The minimum asset-liability ratio is 85.31%, the maximum is 93.15%, the median is 89.95%, the average is 89.65%, and the standard deviation is 2.85%. Under a normal circumstance, the asset-liability ratio is between 40% and 60%. It is more appropriate, and the asset-liability ratio of listed insurance companies is obviously higher. This is related to the business characteristics of the insurance

company. The main business income is the insurance premium income brought by the sales policy. When the insurance companies receive the premium, it also bears the potential amount of insurance coverage and benefits that need to be paid to the policyholder. Therefore, most of the premium income is to be withdrawn as a margin to the customer and treated as a “liability”.

4.2. Correlation Analysis

It can be seen from Table 3 that there is a clear correlation between the equity concentration, equity balance, capital structure and the Tobin Q value of the four listed insurance companies. There is a positive correlation between equity concentration, equity balance and company performance, and a negative correlation between capital structure and company performance. From the correlation analysis results, it can be found that there is no high correlation between the explanatory variables, and it is preliminarily determined that there is no collinearity between the explanatory variables.

Table 3: Correlation Analysis

	TQ	COS	EB	PFSO	CS	DAR
TQ	1					
COS	-0.594***	1				
EB	-0.277**	-0.457***	1			
PFSO	-0.147	-0.330**	-0.136	1		
CS	-0.162	-0.043	-0.314**	0.330***	1	
DAR	-0.817***	-0.487***	-0.371***	0.137	0.123	1

***p≤0.01, **p≤0.05

4.3. Regression Analysis

As shown in Table 4, the F-value of the three models are 40.375, 31.615, and 40.888, respectively, indicating that the three models have good fit. The adjusted R² is 0.686, 0.650, 0.655, respectively, and the model has a good interpretation. Residuals do not have the problem of abnormality and heterogeneity. The equity concentration factor is 0.001, which has a significant positive impact on company performance, consistent with Hypothesis 1. The coefficient of equity balance is 0.001 but not significant, indicating that the equity balance does not have a significant impact on the performance of listed insurance companies, and is inconsistent with Hypothesis 2. In addition, the coefficient of the proportion of circulating foreign shares is -0.003, which is not significant, indicating that the proportion of circulating foreign shares does not have a significant impact on corporate performance, and is inconsistent with Hypothesis 3. Finally, the capital structure has a significant negative impact on company performance.

As an important capital allocation industry, the insurance industry has continuously increased its total assets and investment assets in recent years. The steady growth of the

total assets and investment assets of the insurance industry is the result of the combination of accumulated economic growth and strong investment demand. At present, the source of profits of Chinese insurance companies mainly relies on leveraged financing to invest and obtain investment spreads, which is greatly affected by fluctuations in the macroeconomic cycle. The economic downturn has caused the market investment income to decline, while the industry financing terminal debt cost is relatively stable, which will lead to the narrowing of the overall spread of the industry and negatively affect the overall profit level of this industry. In addition, the increase in market participants has intensified competition in this industry, the tightening of regulatory policies has forced insurance companies to adjust their product mix, and the reduction in reserve discount rate has eroded book profits and other factors that have caused many uncertainties in the development of the current insurance industry. The more concentrated the equity, the more concerned the owner is with the companies’ affairs, and the more willing to pay for the growth, which reduces the cost loss caused by wrong decisions and stimulates the manager to work rigorously and prudently for the company.

Table 4: Results of Regression Analysis

Variables	Model 1		Model 2		Model 3	
	Parameter	Std. Err.	Parameter	Std. Err.	Parameter	Std. Err.
Constant	2.082***	0.279	2.466***	0.274	2.466***	0.274
COS	0.001***	0.000				
EB			0.001***	0.008		
PFSO					-0.003***	0.013
CS	-0.008***	0.008	-0.009***	0.010	-0.006***	0.009
DAR	-0.020***	0.003	-0.023***	0.003	-0.023***	0.002
F-statistic	40.375***		31.615***		40.888***	
R ²	0.704		0.650		0.672	
Adjusted R ²	0.686		0.630		0.655	
Kolmogorov-Smirnov	0.750		0.875		1.066	
Breush-Pagan	5.624		4.387		7.812	

***p<0.01

In the actual situation, the decision-making is not solely determined by the controlling shareholder. The equity is controlled by a controlling shareholder and a small number of major shareholders. The major shareholder and the controlling shareholder can restrict and supervise each other, which can be reduced. The controlling shareholder makes decisions that damage other shareholders for the sake of one's own private affairs. On the other hand, it increases the restraint and control of the business management personnel, effectively motivates the management personnel, and makes them take the decision to take the profits of the companies as the most important. If a company has multiple major shareholders at the same time, it will reduce the chances of the first major shareholder to obtain private income (Levine and Laeven, 2008). The major shareholders will cooperate with each other and face mutual cooperation. Neither of them can hold the decision-making power of the enterprise alone, and thus effectively suppress the predatory behavior of the major shareholders, and ultimately to promote the improvement of business performance. Based on the consideration of the above two factors, the impact of equity balance on company performance is not significant.

In order to expand the scale of enterprises and enhance their comprehensive strength, insurance companies will increase capital by introducing foreign-funded shares. However, in reality, foreign investors are not willing to introduce advanced technology and management models when they enter their technology patents, or introduce technology and management concepts that have been eliminated or fallen behind. In addition, because foreign shareholders are not familiar with politics, economic culture and laws and regulations of China, it is easy to conflict in management concepts, and ultimately cannot have a positive impact on company performance. China has strict equity ratio restrictions, it is difficult to absorb a large number of high-quality capital into the insurance industry, so it is not conducive to the effective allocation of industry resources and the enhancement of capital strength. Taking all of the above factors into consideration may result in the proportion of tradable foreign shares not having a significant impact on company performance.

V. CONCLUSION

Chinese insurance companies still have the following problems in governance: First, the relationship between insurance holding companies and insurance companies with the advancement of insurance marketization and mixed operation, more and more non-insurance companies have emerged in the form of insurance holding companies through the establishment, mergers and acquisitions. Insurance holding companies not only have the efficiency advantage of mixed operation, also have the decentralized structure of "legal separation" to prevent systemic risks. However, insurance holding companies also pose unique risks to insurance companies due to their different purpose of benefit. Insurance holding companies aim at maximizing their own benefit and profit, while insurance companies are required to maintain and increase the value of insurance capital. Therefore, once the holding company improperly distributes the resources of the insurance company due to self-interested motives, it may increase the operational risk of the insurance companies.

Second is the problem of the relationship between the insurance group companies and its subsidiaries. From the perspective of shareholding structure, Chinese insurance group can be divided into two types, one is state-owned insurance group and the other is private-owned insurance group. Under the state-owned shareholding mechanism, the group companies use administrative orders to control their subsidiary, which in turn inhibits the enthusiasm and innovation of the subsidiaries. From the financial statements in recent years, the return on asset and investment of the state-owned insurance group companies are lagging behind private ones. In the long run, strengthening the autonomy of private-owned insurance companies through the improvement of corporate governance structure has certain advantages for improving performance. The mainly corporate governance problem of private insurance groups is "expansion risk". In the expansion of the neutron companies is more assigned by the group companies, the independence is affected, and the transparency is not enough.

Third is the problem of the relationship between major shareholders and insurance company stakeholders. The proportion of major shareholders of Chinese insurance companies is relatively high due to the professional nature of insurance management, the long-term nature of insurance contracts, and the high debt ratio of insurance assets, the relationship between all stakeholders related to insurance companies is more complicated. There are two main levels: the first level, between the major shareholders of the insurance company and the management, due to differences in roles and different understandings of future economic interests, management may use information asymmetry to make management policy that is contrary to the will of major shareholders. At the second level, large shareholders have higher rights and capabilities than small and medium shareholders, and the system is imperfect and lacks effective protection for minority shareholders' rights. Large shareholders may have short-selling behaviors harming the interests of small and medium investors. Therefore, improving the governance mechanism of insurance companies can not only serve the interests of major shareholders, also better handle the relationship between major shareholders and other stakeholders, and protect the interests of other stakeholders.

Fourth is the problem of the relationship between the concerted action of the insurance company and the dispersal of equity. In the Chinese insurance market, due to stricter equity restrictions, in the actual operation of mergers and acquisitions, investors need to control the equity and voting rights through concerted action, and the concerted action in the merger will concentrate the equity. The decentralized structure of equity announced by the industry is contrary to insurance industry.

Through empirical research, this paper proves that the ownership structure constitutes an impact on the performance of the insurance companies. At the same time, there is a significant negative correlation between the capital structure and the performance of listed insurance companies. Chinese listed insurance companies have not achieved the optimal or near-optimal shareholding structure. To improve the shareholding structure of listed insurance companies requires the joint efforts of enterprises and regulatory authorities. By establishing sound and relevant policies and improving corporate governance structure, listed insurance companies can grow more quickly and steadily. According to the conclusions of this paper, we propose suggestions from the perspective of improving company performance.

Chinese listed insurance companies should have relatively concentrated equity and allow the existence of controlling shareholders. The listed companies in China have a minimum concentration of 5.27%, a maximum of 68.37%, and a standard deviation of 21.18%, show the gap is large. According to the conclusions, the higher the concentration of equity, the better the performance, so companies that the equity concentration with lower levels can promote development by increasing the shareholding ratio of the

largest shareholder, maintain moderate concentration of equity, and improve company performance.

Many listed companies in China have the problem of "one big share". The status of other shareholders is lower than that of the largest shareholder and has limited impact on listed companies. This situation has existed for a long time and is difficult to solve. The sample of this research indicates that the four listed insurance companies have not effectively used the equity checks and balances to promote the development and improve performance. The empirical results also show that the impact of equity balance on company performance is not significant, which also shows that the effect of equity balance on company performance is not fully utilized. If the shareholding ratio of other major shareholders is increased while maintaining the shareholding ratio of the major shareholders, then the behavior of the first major shareholder to harm the interests of the minority shareholders will be reduced.

The use of equity checks and balances to contain the largest shareholder can reduce the infringement of large shareholders to small and medium shareholders and allow several major shareholders cooperate to make recommendations for the development of the company, effectively supervise management and reduce operating and management costs. Therefore, this paper proposes to establish a system of equity checks and balances that meets the actual situation of insurance companies, and to promote the development of enterprises and increase profits.

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