The Empirical Analysis of Government Cash Flow Right, Ultimate Control Right and Corporate Performance Based on China's Tourism Company

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Abstract: With the development of society, tourism industry plays a more and more important role in national economy. The existence of governments' control rights provides a method for the governments to intervene the listed companies. So, this paper uses the ultimate control theory to study the relationship among government cash flow rights, ultimate control rights and the performance of listed tourism companies. The results show that the governments' cash flow rights have significant positive correlation with those listed tourism companies' performance. Cash flow rights generate an "alignment effect" between the governments and Chinese listed tourism companies, which makes positive stimulus to the governments. Secondly, the governments' ultimate control rights have a positive correlation to the performance of Chinese listed tourism companies. Governments' ultimate control plays a positive role in the performance of Chinese listed tourism companies.

1. Introduction

In the supply and demand of tourism, tourism enterprises are the most important suppliers of tourism products and services. Whether these enterprises can operate well will be closely related to the operating situation of the entire tourism market. The listed tourism companies are also the leaders of these enterprises and the most advanced corporate form of the tourism industry. Therefore, the operating status of the listed tourism companies can reflect the reality and trend of the development of the entire industry, and directly reflect the health of the entire industry. However, due to the particularity of development history and institutional reasons (politics, economic system, etc.), a considerable number of enterprises in China are still under government control. Its control methods include indirect intermediate agent control and direct administrative department control [1-3]. Government control plays an important role in the management of enterprises, and it is no exception in the tourism industry. Moreover, China's large-scale tourism enterprises were generally established for the reception services of government departments.

Therefore, most of them have the historical background of state-owned enterprises and are closely related to the old system. Although the tide of stock reform has reduced the number of state-owned shares held by tourism listed companies, as the operation of the tourism industry involves many precious protective resources (ecology, history, folk culture, etc.), the control of China government is still significant, and its direct or indirect control of listed tourism companies still exists in large numbers [4]. Based on the above analysis, what kind of performance impact will government control have on Chinese tourism listed companies in the current market environment? What governance mechanisms should Chinese listed tourism companies establish to ensure the effective operation of the company? Both the theoretical and practical perspectives have become the focus of attention to the tourism industry.

2. Theoretical Analysis and Hypothesis

2.1. Theoretical Analysis of Government Cash Flow Rights and Operating Performance of China's Listed Tourism Companies

First, the cash flow right is the initial cost that the ultimate controller needs to pay in order to obtain a certain controlling right, and it is also the loss that the ultimate controller needs to bear when the company suffers losses. The more the initial cost invested by the final controller, the greater of loss that the enterprise needs to bear when it loses money. Therefore, the cash flow right makes the ultimate controller and the listed company have interest synergy effect. In order to prevent losses, the greater of the cash flow rights of the ultimate controller, the greater of the motivation of the ultimate controller to monitor the company. In addition, the cash flow right is also the proportion of the ultimate controller to receive the company's cash dividends, that is, the right to profit distribution. Therefore, cash flow rights have a positive incentive effect on the ultimate controller. It is precisely because of the existence of cash flow that the ultimate controller is motivated to use his control to control the company and supervise the operations of managers, thereby reducing the agency problem between shareholders and managers, and from the company's good management gain a certain percentage of income. The greater of the cash flow rights, the greater of the ultimate controller's gain through the control chain, and the stronger of the incentive effect for the ultimate controller. La Porta analyzed the ownership structure of companies in 27 developed countries from the perspective of cash flow rights and final control rights for the first time, and found that the cash flow rights held by the final controller had a positive correlation with the company value [5]. Claessens research on nine East Asian countries also confirmed that the increase in the proportion of the ultimate controller's cash flow rights is conducive to enhancing corporate value [6]. It is also found in China that there is a significant positive correlation between the cash flow rights owned by the ultimate controller and the enterprise value. And while keeping the final controller's voting rights (final control) unchanged, the greater of the final controller's cash flow rights, the final controller tends to less tunneling behavior[7].

Therefore, according to the interest synergy effect between the ultimate controller and the listed company and the positive incentive effect of the cash flow right on the ultimate controller, this article proposes Hypothesis 1, the government's cash flow rights are positively correlated with the performance of China's tourism listed companies.

2.2. Theoretical Analysis of the Government's Ultimate Control and the Operating Performance of China's Listed Tourism Companies

The existence of ultimate control provides a way for the government to intervene in listed companies. The theory about government intervention and company performance is the

government's "helping hand" theory [8-9]. The theory believes that the freedom and complete freedom of the market will actually cause a lot of ills. To correct these market failures, government ownership is one of the solutions. At the same time, the theory believes that the problem with state-owned enterprises lies in the inappropriate selection and incentives of managers. This theory emphasizes that the main goal of state-owned enterprises is to select the best management team and the appropriate corporate governance structure. That is to emphasize market failure rather than government failure. Instead, the government uses the scarce resources it controls to support local state-owned enterprises, which can improve the performance of state-owned enterprises. Moreover, some studies in various countries around the world have found the possibility of the government providing a hand of support for companies. A study of Pakistan by Khwaja and Mian found that companies with political connections can obtain more credit [10]. Moreover, politically connected Chinese companies have also been found to have higher stock issuance prices, and have fewer issuance fees and fewer discounts [11], and even get more financial assistance from the International Monetary Fund or the World Bank [12-14] found that politically related companies have significantly lower applicable tax rates and effective income tax rates than non-political related companies. As for the listed tourism companies in China, the development of tourism has been regarded as a new growth point of the national economy by governments at all levels in recent years. Therefore, tourism companies can obtain various types of political and financial support from different levels of government. Such as direct financial support from the government, tax refunds, financial allocations and other compensation [15]. In addition to these direct financial supports, these companies can also obtain a large amount of indirect support from the government. These indirect supports also have a huge impact on the company's performance. Indirect government support includes the development of tourism-oriented macroeconomic infrastructure construction, improving the protection of tourist attractions, and helping tourism companies marketing. These indirect investments are also crucial to improve the performance of these travel companies [16]. Therefore, these government interventions are conducive to the listed tourism companies to improve the company's operating performance.

According to the expectations of the government's "supporting hand" theory, this paper proposes Hypothesis 2, the final control of the government is positively related to the performance of Chinese tourism listed companies.

3. Sample Selection and Data Sources

3.1. Sample Selection

This article selects 47 tourism listed companies listed on the Shanghai and Shenzhen stock exchanges of December 31, 2016 as the research sample, and the research interval is the year of 2010 to 2016. In order to further ensure the reliability of the results, this paper will conduct the next screening and elimination of the research samples according to the following principles.

▪ Excluding ST companies in the sample, such companies do not represent the normal development of listed tourism companies, and the financial data of such companies often appear abnormal.

▪ Exclude companies listed after 2010 and listed companies whose main business has been transformed into tourism after 2010 in the sample. This is because companies with initial listing or initial transformation are often unstable in company performance, which may cause some deviation.

▪ The default listed companies whose data are discontinuously appear in the sample are excluded.

After the screening and elimination of the above process, this paper finally selected 24 listed companies, a total of 168 observations as a sample to study the relationship between the debt structure and performance of tourism listed companies.

3.2. Data Sources

The data used in this article comes from the listed company data disclosed by China Securities Network, Shanghai Stock Exchange website, Shenzhen Stock Exchange website and Wind database. The data is processed with the help of EXCEL software and EVIEWS8.0 software.

4. Variable Selection and Model Building

4.1. Variable Selection

4.1.1. Corporate Performance

In order to test the relationship between government cash flow rights and ultimate control rights and the performance of Chinese tourism listed companies, this article selects indicators to measure the performance of Chinese tourism listed companies from the financial perspective and market value perspective. Among them, the financial performance indicator is total asset net profit margin (ROA), and the market value indicator is Tobin's Q value. The specific calculation formula is as follows.

ROA = (net profit / total average balance of total assets) * 100%

Tobin's Q = market value A / capital replacement cost

4.1.2. Selection of Government Cash Flow Rights and Final Control Rights Variables

a) Selection of government cash flow rights variables

Cash flow rights (CFR): According to the ultimate control theory, the cash flow right is the initial cost invested by the ultimate controller in order to obtain a certain percentage of control rights, and is also the ultimate controller's right to distribute profits to the company. The calculation method is to add up the product of the final controller's shareholding ratio of all equity control chains.

b) Selection of final control rights variables

Ultimate control rights (UCR): According to the ultimate control theory, the ultimate control right is the ultimate controller's right to vote on major matters of the company and represents the control of the company. This article uses the government's ultimate control to measure the degree of government control over Chinese tourism listed companies. The calculation method is to add up the minimum value of the shareholding ratio of all equity control chains of the ultimate controller.

4.1.3. Selection of Control Variables

Government control and intervention are only one of the factors that affect the performance of Chinese tourism listed companies. The company's operating performance will also be affected by many factors. Therefore, in order to eliminate the influence of irrelevant variables and reduce the error of the research on government cash flow rights, ultimate control rights and the performance of Chinese tourism listed companies, control variables need to be introduced. The selection of specific control variables is as follows.

a) Company size (LNSIZE)

A large amount of literature has confirmed the relationship between the company's asset size and performance. R. Band [17] and M. Reinganum [18] found that small companies have higher market returns than large companies. Lang and Stulz (1994) proved that company size is significantly negatively correlated with Tobin's Q value. Most of the domestic companies choose to use the logarithm of the company's total assets as an indicator to measure the company's size, and this article will also adopt this method.

*Company size = LN (total assets at the end of the period)

b) Company growth (GROW)

Generally, companies with good growth ability can raise funds better than general companies. Therefore, when encountering good investment opportunities, such companies are also more likely to seize the opportunity to enhance company performance and market value. This paper selects the growth rate of total assets as the index to measure the growth of the company.

*Growth of the company = (total assets at the end of the period-total assets at the beginning of the period) / total assets at the beginning of the period

c) Quick ratio (FLOW)

The normal operation of the capital chain and timely solvency will help enhance the value and performance of the enterprise. Because the tourism industry involves a large amount of intangible assets, it cannot be included in the book value of corporate assets. Moreover, because of the particularity of resources used by the tourism industry, a large amount of assets cannot be converted into cash for debt repayment. In this case, the quick ratio can better reflect the rapid solvency of China's tourism listed companies. Therefore, this article uses the quick ratio as a variable to measure the financial leverage and solvency of China's listed tourism companies. The calculation formula is as follows.

*Quick ratio = (current assets-inventory) / current liabilities

d) Cash flow (CASH)

The cash flow of business activities in this paper is measured by the total cash recovery rate. This indicator is a measure of the ability of an enterprise to generate cash for all assets. While keeping the scale of investment and fundraising of the enterprise constant, the stronger the ability of the enterprise's assets to obtain cash, the stronger the vitality of the enterprise and the greater the possibility of good corporate performance. The calculation formula is as follows.

*Cash flow = net cash flow generated from operating activities / ending balance of total assets

4.2. Model Building

In this paper, we establish four panel data regression models to study the impact of government cash flow rights and final control rights on the performance of listed tourism companies. The regression equation is as follows (1) ~ (4).

$$ROA_{it}=\alpha_i+\beta_{1i}CFR_{it}+\beta_{2i}LNSIZE_{it}+\beta_{3i}GROW_{it}+\beta_{4i}FLOW_{it}+\beta_{5i}CASH_{it}+\varepsilon_{it} \tag{1}$$

$$ROA_{it}=\alpha_i+\beta_{1i}UCR_{it}+\beta_{2i}LNSIZE_{it}+\beta_{3i}GROW_{it}+\beta_{4i}FLOW_{it}+\beta_{5i}CASH_{it}+\varepsilon_{it} \tag{2}$$

$$Tobin'Q_{it}=\alpha_i+\beta_{1i}CFR_{it}+\beta_{2i}LNSIZE_{it}+\beta_{3i}GROW_{it}+\beta_{4i}FLOW_{it}+\beta_{5i}CASH_{it}+\varepsilon_{it} \tag{3}$$

$$Tobin'Q_{it}=\alpha_i+\beta_{1i}UCR_{it}+\beta_{2i}LNSIZE_{it}+\beta_{3i}GROW_{it}+\beta_{4i}FLOW_{it}+\beta_{5i}CASH_{it}+\varepsilon_{it} \tag{4}$$

Among them, α represents the intercept corresponding to the corresponding equation, β represents coefficient corresponding to the independent variable, ε represents residual, i represents each sample company, t represents selected year.

5. Empirical Analysis

5.1. Descriptive Statistical Analysis

Table 1: Descriptive statistical results of variables.

Variable	Mean	Minimum	Max	Standard Deviation
ROA	0.0485	-0.2866	0.2113	0.0549
Tobin's Q	2.2056	0.3876	10.0581	1.5492
CFR	0.3695	0.0351	0.6912	0.1617
UCR	0.3980	0.1009	0.6912	0.1617
LNSIZE	21.2401	19.3912	25.4806	0.9412
GROW	-2.4169	-480.8539	36.2057	33.0579
FLOW	1.2217	0.0359	11.2137	1.4248
CASH	0.0805	-0.1103	0.3009	0.0682

From the statistical results of Table 1, it can be seen that the average ROA of the financial performance variable of the Chinese tourism listed companies ultimately controlled by the government is 0.0485, and that the Chinese tourism listed companies ultimately controlled by the government have achieved overall financial performance profits. At the same time, the average value of the market value variable Tobin's Q is 2.2056, and the Chinese tourism listed companies ultimately controlled by the government have also realized the appreciation of the company's value as a whole. The average CFR of the government's cash flow rights is 0.3695, and the proportion of cash flow rights invested by the government is relatively large. Also, the government can also obtain a large proportion of the revenue from Chinese listed tourism companies. The government's final control UCR average is 0.3980, and the average final control UCR is nearly 40%. It shows that the ultimate holding structure of the government-controlled Chinese tourism listed companies is concentrated. Among them, the minimum value of the final control right is 0.1009 about 10%, which just reaches the critical level of the final control right set in this article, and the maximum value is 0.6912 about 70%, which has reached the absolute holding level. The difference between the maximum value and the minimum value of the final control UCR is large, indicating that there is also a certain difference in the degree of final control between the Chinese tourism listed companies that the government ultimately controls. The difference between the average number of final control rights and the average number of cash flow rights is very small, indicating that the separation of the two rights is small. On average, the ultimate controller needs to pay 0.3695 in cash flow to obtain the final control of 0.3980. The benefits obtained by the ultimate controller are comparable to the responsibilities and costs of the inputs.

5.2. Correlation Analysis

In order to ensure the reliability of the results of panel data regression analysis, before performing regression analysis, first use Pearson correlation analysis method to test the correlation between various variables. It is generally believed that the greater the correlation coefficient of the two variables, the stronger the correlation. When the correlation coefficient is greater than 0.6, the problem of multicollinearity needs to be considered.

Table 2: Variable correlation analysis results.

	ROA	Tobin's Q	CFR	UCR	LNSIZE	GROW	FLOW	CASH
ROA	1							
Tobin's Q	0.2895***	1						
CFR	0.2279***	0.0458*	1					
UCR	0.2657***	0.0236*	0.9428***	1				
LNSIZE	0.1721**	-0.3328***	0.2906***	0.2993***	1			
GROW	-0.1498**	-0.2015***	0.0318	0.0511	0.1145*	1		
FLOW	0.2982***	0.2258***	0.1039	0.1602**	-0.0015	0.0460	1	
CASH	0.4819***	0.2258***	-0.0129	0.0048	-0.2035***	-0.1937***	0.1053	1

Note: ***, **, and * are significant at the levels of 1%, 5%, and 10%, respectively

Table 2 shows that the variables CFR and UCR are significantly positively correlated with the financial performance variable ROA of the Chinese tourism listed companies ultimately controlled by the government. There is also a significant positive correlation with Tobin's Q, the market value variable of Chinese tourism listed companies that the government ultimately controls. The results of the correlation test are consistent with the theoretical expectations of the "interest synergy effect" and "positive incentive effect" of the government's cash flow rights and the "supporting hand" of the government's final control. The remaining four control variables are also significantly related to the performance variables ROA and Tobin's Q of Chinese tourism listed companies that are ultimately controlled by the government. The control variables are not related to each other or the absolute value of the correlation coefficient is less than 0.5.

5.3. Regression Result

Because the data used in this paper is non-equilibrium panel data, this paper uses the generalized least squares regression of the random effect model to estimate equations (1)-(4). The regression results are shown in Table 3.

Table 3: Regression result.

Variable	(1)	(2)	(3)	(4)
C	-0.2745*** (-2.75)	-0.2538*** (-2.49)	24.9576*** (9.38)	24.9489*** (9.28)
CFR	0.0504** (2.10)		1.4628** (2.21)	
UCR		0.0682** (2.58)		1.2963* (1.74)
LNSIZE	0.0123*** (2.61)	0.0105** (2.28)	-1.0258*** (-8.42)	-1.0245*** (-8.21)
GROW	-0.0003* (-1.84)	-0.0003* (-1.85)	-0.0049** (-2.58)	-0.0052** (-2.56)

FLOW	0.0095*** (4.21)	0.0095*** (3.95)	0.1230** (2.15)	0.1235** (2.10)
CASH	0.3328*** (6.99)	0.3286*** (6.92)	2.2930** (2.05)	2.2806** (2.05)
R^2	0.4267	0.4262	0.5238	0.5157
P Value	0.0000	0.0000	0.0000	0.0000

Note: ***, **, and * are significant at the levels of 1%, 5%, and 10%, respectively

As can be seen from Table 3, the government cash flow right CFR is positively correlated with ROA at a level of 5%, with a correlation coefficient of 0.0504, and Tobin's Q is positively correlated with a significance level of 5%, with a correlation coefficient of 1.4628. That is, the government's cash flow rights are positively related to the performance of China's tourism listed companies. The regression results are consistent with the theoretical expectation that the cash flow rights have a "positive incentive effect" on the ultimate controller and the "interest synergy effect" between the ultimate controller and the listed company, and are also consistent with the conclusions of most studies. Because the cash flow right is the proportion of the company's losses that the ultimate controller needs to bear when the company suffers a loss. The cash flow right gives the ultimate controller and the listed company a "synergy effect". At the same time, the cash flow right is the right and proportion of the company's profit distribution enjoyed by the ultimate controller, and has a positive incentive effect on the ultimate controller. The improvement of the ultimate controller's cash flow rights will help improve the performance of China's tourism listed companies, strengthen the ultimate controller's supervision of the company's good operations, and reduce agency problems between the ultimate controller and managers.

Secondly, UCR which measures the degree of government control, is positively correlated with the ROA's financial performance ROA at a 5% significance level, with a correlation coefficient of 0.0682. It is positively correlated with the market value Tobin's Q at a significance level of 10%, and the correlation coefficient is 1.2963. The regression results are consistent with the theoretical expectations of the "supporting hand" of the final control of the government. That is, the ultimate control of the government is positively related to the performance of China's listed tourism companies. Ultimate control is one of the ways for the government to participate in company management and company decision-making. The greater the final control power, the greater the degree of government control over the company and the easier it is to participate in the company's management decisions. The final control of the government is significantly and positively related to the performance of China's tourism listed companies. The performance of China's tourism listed companies has increased with the increase in government control. That is to say, in the Chinese tourism listed companies, the government's participation plays a "supporting hand" role. In the process of management and control of Chinese tourism listed companies, the government's support and assistance have brought greater performance improvement than the government's performance decline for listed companies in order to meet their own political, economic and social private interests

6. Conclusions

The empirical results of this paper show that the government's cash flow rights are significantly positively related to the performance of China's tourism listed companies. The cash flow right creates a "synergy benefit" between the government and the listed tourism companies, generating positive incentives for the government. Secondly, there is also a significant positive correlation between the ultimate control of the government and the performance of Chinese tourism listed

companies. The government plays an active role in controlling and intervening in Chinese tourism listed companies. Make the following suggestions.

6.1. Guarantee the Government's Responsibilities and Rights to Tourism Resource Enterprises

From the research results of this article, we can see that in the tourism industry, the government plays the role of "supporting hand" in the business performance of enterprises. First of all, for resource-dependent tourism enterprises, their business process involves precious national natural and cultural resources. Their business is also mainly resource-based tourism business, such as scenic spot tickets, ropeway sales, etc. In this case, purely commercial operations are likely to lead to excessive attention to short-term economic benefits and the misuse or excessive use of resources, thereby causing the destruction or exhaustion of the country's precious resources. Once these resources are destroyed, they cannot be repaired and regenerated. Therefore, from the perspective of sustainable development, it is necessary to maintain the resources in a good and healthy state while using the resources to produce maximum economic and social benefits. The government has obligations and responsibilities for the protection of the country's natural or cultural resources. The government's control of such enterprises helps to supervise the operation and management of tourism enterprises so as not to overuse or misuse resources, thereby protecting the country's precious resources. On the other hand, government control can also ease the financing constraints of such enterprises, making it easier for enterprises to obtain bank loans. Because such enterprises do require a large amount of capital investment in the early stage of development, pure private ownership will make it difficult to raise capital in the early stage. The political connection can also make it receive relatively more government subsidies. The development of tourism plays an important role in the development of the local economy. These tourism enterprises located directly in the local scenic spots can obtain financial or non-financial support from local governments, so that they have better performance. At the same time, their good performance has also promoted the development of the local economy and solved the pressure of local employment pressure and local economic growth indicators. Therefore, in the proper field of tourism economy, policies should further better develop the responsibilities and rights of local governments.

6.2. Optimize the Shareholding Structure of Chinese Tourism Listed Companies

As can be seen from the research in this article, there is a phenomenon of excessive concentration of equity in the current Chinese tourism listed companies. Among them, the final control of the Chinese tourism listed companies ultimately controlled by the government is about 40% on average. The high concentration of equity in the control of agency issues has certain benefits, because the high concentration of equity will enhance the controlling shareholder's control of the company, which helps the interests of company executives and controlling shareholders converge. But excessive concentration of equity is a very dangerous signal among listed companies. Because the excessive concentration of equity may affect the independence of independent directors and supervisors, resulting in the inability of independent directors and supervisors to effectively supervise the company's governance standards, which makes the company's decision-making less democratic and scientific. Therefore, it is necessary for Chinese tourism listed companies with a high concentration of equity, especially government-controlled tourism listed companies, to optimize the company's shareholding structure and appropriately diversify and diversify the company's equity. On the basis of guaranteeing the rights and obligations of local governments on the precious tourism resources of the country, the supervision subjects of Chinese tourism listed

companies shall be appropriately diversified. More diverse control subjects can supervise and restrict the correct use of national tourism resources.

6.3. Further Subdivide the Government's Functions for Different Types of Tourism Enterprises

From the research findings of the text, we can see that the government is still the dominant controller of the Chinese tourism companies. The government plays a big role in the management of listed tourism companies. However, whether the government should participate in the operation and management of the enterprise and what specific role it plays in the enterprise should generally be determined according to the specific conditions of different industries. Although the research results of this paper show that in the tourism industry, the government plays an active role in the business performance of enterprises. However, within the tourism industry, there are also different types of tourism enterprises. Therefore, within the tourism industry, specific situations should also be analyzed, and the degree and method of government control over the enterprise should be adjusted according to the specific characteristics of a tourism enterprise. In the tourism enterprises of the resource type, the responsibilities and rights of the government should be guaranteed. However, among the listed tourism companies, in addition to a part of resource-dependent tourism companies, a small number of companies are engaged in tourism businesses such as hotels, restaurants, and travel agencies. Their operations do not directly involve or involve less precious natural and cultural resources of the country, but more provide tourism services for tourists. In such enterprises, the government should appropriately relax restrictions and interventions on them. Because excessive government intervention may lead to problems such as the traditional business model of tourism enterprises and conservative development methods. In the previous analysis, we also found that there are problems such as excessive concentration of main business and restricted investment in China's tourism listed companies. This allows tourism enterprises to take on more operational risks and also lose the opportunity to obtain higher profits, which will be detrimental to the long-term development of these tourism enterprises. Therefore, for this type of tourism enterprises, the government should reduce the degree of control over the operation and development of the enterprise while giving them financial assistance, so that they can implement more commercial operations, so that enterprises can actively participate in market competition Among them, take the initiative to transform and upgrade and accelerate business model innovation to achieve rapid development of the company. At the same time, compared with those resource-dependent tourism enterprises that have a monopoly nature, commercial operation can enable these non-resource-dependent tourism enterprises to actively improve service quality, develop new markets, and achieve business growth. As a government, it should create a good macro environment for the market and maintain market order, so as to ensure the sustainable development of the economy and ensure healthy competition among enterprises in the tourism industry.

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