Accounting and Corporate Management (2025)
Clausius Scientific Press, Canada

DOI: 10.23977/acccm.2025.070103
ISSN 2523-5788 Vol. 7 Num. 1

Credible Commitments of Major Shareholders and Corporate Cash Holdings: Evidence from Listed Company Naming

Wei Qiaoyin

Guangxi University, Nanning, 530000, China

Keywords: Major shareholders can believe the commitment; enterprise cash holding; financing constraints; agency cost

Abstract: In recent years, the phenomenon of the controlling shareholder having the same name as the listed company has had an important impact on the capital market and enterprise operation. This paper takes whether the names of the two are shared as the proxy indicator of the confidence commitment of the major shareholders, and examines the impact of the confidence confidence commitment on the cash holding level of the enterprise. The study found that: ① major shareholders confidence commitment is significantly negatively associated with the cash holding level of the enterprise; ② major shareholders confidence commitment mainly realized the decline of cash holding level by alleviating the financing constraints and reducing the preventive motivation and agency motivation of corporate cash holding; ③ major shareholders confidence commitment reduces the cash holding level and improves the value of the enterprise. This paper enriches the research on the economic consequences and influence mechanism of major shareholders confidence commitment, and expands the application scope of the motivation theory of enterprise cash holding.

1. Introduction

As the "blood" of an enterprise, cash plays an important role in the daily operation, investment decision-making and the reduction of financial risks. Cash is the most liquid asset that can meet the various motives of shareholders and management, and its advantages are obvious. Therefore, it can be seen that the amount of cash an enterprise holds is crucial. Too much cash will lead to the waste of resources. Cash is a resource with time value, and there is a comparison between cost and benefit. When the cash is too much, resources will not be effectively allocated, but also some agency problems in enterprises with poor corporate governance and weak investor protection. If the cash is too small, the rupture of capital chain. Therefore, how to hold the best amount of cash and make reasonable cash holding decisions is an important issue in the academic and practical circles.

In most cases, however, companies are keen to hold high cash holdings. In particular, in the wake of the 2008 financial crisis and COVID-19, many executives and directors made "cash is king" a standard. According to the statistics of Guotaiian database, in 2007-2020, the average cash holding of a-share non-financial listed companies in Shanghai and Shenzhen (monetary funds + trading financial assets) accounted for about 20% of the total assets, and even some listed companies held

more than 50% in cash. Taking the timeline forward, the ratio of average cash holdings to total assets rose from 10.5% in 1980 to 23.2% in 2006 (Bates, Kahle and Stulz, 2009)[11]. It can be seen that high holding has become a general trend. Based on the analysis of the theory and the actual data of listed companies, it is found that after the "four trillion yuan" investment in 2009, the cash holding of Chinese enterprises showed an upward trend after 2010. In 2019-2022 COVID-19 outbreak, the importance of enterprise high hold now also got great performance, the survey found that the outbreak period account cash balance can maintain within two months close to 68.6%, and 85.8% of enterprises maintain ability less than three months, and low cash reserve rate enterprises can only choose to close during the outbreak. Visible, the enterprise is in the early stageWhether there is sufficient cash reserves is the key to determine whether it can resolve the crisis in the epidemic phase (Xiao Tusheng et al., 2020)[1]. In general, the above views are from the macro perspective and policy uncertainty factors to support the reasons for the high enterprise holding now. According to the mainstream western theory, trading motivation, cautious motive and agency motivation are the main reasons for cash holding (Betes et al., 2009)[12]. Therefore, the study of enterprise cash holding level is not only a practical problem, but also a theoretical problem.

2. Theoretical analysis and hypothesis are proposed

Seeking the optimal level of corporate cash holdings has always been a hot topic in the finance and academic circles. In todays world, whether in developed countries or developing countries, the cash holding level of enterprises is maintained at a relatively high level, and the excess cash hoarded will certainly cause different degrees of waste of resources. Although cash assets have high liquidity, they at the same time also have the characteristics of low return rate. Holding excess cash assets will reduce the overall return rate on assets of the enterprise, which is not conducive to the future development of the enterprise. So why will the enterprise hold a large amount of cash?

According to Keynes's theory of cash holding motivation, the corporate cash holding level is affected by trading, prevention, investment and agency motivation, among which preventive motivation and agency motivation have a greater impact on the corporate cash holding level. In theory although can clearly define, distinguish between cash held preventive motive and agent motivation, but in the real economic practice, the enterprise high hold is for preventive motive or agent motivation is often difficult to distinguish, often is two kinds of motivation intertwined to the enterprise cash holding level. In terms of preventive motivation, management holds cash assets in response to various uncertainties such as possible future risks or urgent capital needs (Han & Qiu, 2007)[3]. According to the theory of information asymmetry, enterprise internal management compared to other participants in the capital market have more information advantage, creditors and other participants can not timely and accurately grasp the internal operation of the enterprise, when enterprises obtain funds through debt financing, creditors to ensure the safety of their own funds usually requires higher cost of capital, even require companies to sign restrictive terms to limit the use of borrowed funds, so compared with external financing, internal financing has a lower cost of capital and less restrictions, prompting management for Prevent the motivation to hold the cash. Denis (2010)[12] shows that financing constrained companies holding more cash is a value-added response to expensive external financing. When the financing of listed companies in China is limited, internal cash flow can relieve the pressure of enterprises to raise funds to invest to a certain extent, which is conducive to enterprises seizing the opportunity to create cash value (Kuang Xuewen et al., 2009)[5]. Han Liyan and Liu Boyan (2011)[6] have proved that monetary capital reserves play a pivotal role in companies in the transition period. From the perspective of agency motivation, the current high holding of enterprises significantly improves the executives ability of the executives to control the enterprise assets and provides more convenience for the managements high on-service consumption (Jensen, 1986)[8]. Due

to the separation of the two rights of modern enterprises, the operating income of the enterprise is mainly enjoyed by all shareholders, while the management only enjoys limited compensation income[4]. The existence of agency conflict leads to the management of the enterprise holding more cash assets in pursuit of high salary and on-the-job consumption. To sum up, the management will increase the cash holding level of the enterprise, whether it is the preventive motivation to meet the urgent capital needs of the enterprise or the agency motivation for the pursuit of personal interests.

Corporate reputation is a common mechanism to convey private information and mitigate the deliberate appropriation of wealth by major shareholders and management. For Chinas listed companies, reputation construction is particularly important. Empirical evidence suggests that a good reputation helps companies reduce the degree of information asymmetry and thus significantly mitigate agency conflict (Anderson et al., 2003)[7]. To gain the financial benefits of reputation, large public companies engage in various reputation building activities, including recruiting reputable managers, obtaining third party advice, and providing quality financial reporting (Cao et al., 2012)[10]. Previous research has established that the company name is the bearer of reputation, summarizing the attributes of the company, and that the name can represent a lot of soft information (Tadelis, 1999)[14]. Some company names link a company to bad reputation (McDevitt 2014; Wu 2010)[13][15], while others to good reputation controlling shareholders may be an effective strategy to demonstrate owner commitment to high quality (Cabral 2000; Choi 1998; Ingram 1996)[16][17][18] and mitigate information asymmetry. The confidence commitment of the major shareholders studied in this paper is actually a kind of enterprise reputation construction, which closely links the name of the enterprise with the name of the controlling shareholder, and the controlling shareholder will actively act in various decisions of the enterprise, making the enterprise trustworthyrely on. Major shareholders can believe that the commitment can be an important corporate governance mechanism in the cash decisions of the enterprise[9]. Specifically, the major shareholders can believe that they promise to rely on the combination of the established reputation and their own reputation to allocate the characteristics of the enterprise, optimize the governance structure of the enterprise, and then optimize the cash holding level of the enterprise[19].

In conclusion, this paper believes that the major shareholders can believe that the commitment can inhibit the level of corporate cash holdings. Based on this assumption:

H1: If other conditions are the same, the major shareholders can promise to restrain the cash holding level of the enterprise[20].

3. Research design

3.1 Data sources

In this paper, Chinese listed companies in 200 1 —— 20 21 were selected for analysis, with 19,419 valid samples: ① excluding listed companies with missing financial and related financial data; ② excluding companies specially processed by the exchange; ③ excluding samples with obvious outlier data (such as negative total assets, insolvency, etc.). All continuous variables were tailed at 1% and 99% levels to avoid the effects of extreme values and outliers. Major shareholders can believe that the judgment index is whether the major shareholders and the enterprise with the same name. That is, whether the name of the enterprise and the name of the major shareholders are consistent. The data is manually collected from the annual table of basic information of the listed company and the controller document of the listed company. Since whether the same name is the voluntary choice of the controlling shareholder, the occurrence of this behavior makes the research can distinguish the enterprises with the same name and non-enterprises with the same name, which is conducive to overcoming the event identification error. Corporate cash holding levels and the remaining financial

data are derived from the CSMAR database.④

3.2 Definition of variables

3.2.1 Corporate cash holding

The explained variable in this paper is the cash holding level (Cash) of the enterprise, which is measured by two definitions. Based on the study of Opler et al. (1999), the proportion of cash and cash equivalents in the total assets minus cash and cash equivalents is calculated, namely $Cash1 = \frac{Cash\ and\ cash\ equivalents}{total\ assets - Cash\ and\ cash\ equivalents;\ define\ the\ practice\ of\ Xiong\ Lingyun\ et\ al.\ (2020)\ and\ Yang\ Xingquan\ and\ Yin\ Xingqiang\ (2018)\ as\ the\ ratio\ of\ the\ sum\ of\ monetary\ funds\ and\ trading\ financial\ assets\ and\ total\ assets\ excluding\ cash,namely}$ Drawing on the methods of Xiong Lingyun et al. (2020) and Yang Xingquan, Yin Xingqiang (2018), it is defined as the ratio of the sum of monetary funds and transactional financial assets to total assets minus cash. $\text{Cash2} = \frac{\text{Monetary funds + trading financial assets}}{\text{total assets} - \text{Cash and cash equivalents.}}$

3.2.2 Major shareholders can believe the commitment

The explanatory variable selected in this paper is the major shareholder confidence commitment (NS), and the measurement method is whether the major shareholder and the enterprise have the same name. Using similar studies of Belenzon et al. (2017) and Chen et al. (2023), virtual variables are set. If the controlling shareholder and the enterprise have the same name, the value is 1, otherwise it is 0.

3.2.3 Control variables

This paper uses the practice of Opler et al. (1999); Zheng Peipei and Chen Shaohua (2018); Yang Xingquan and Yin Xingquan (2018), including the controlling variables in the regression model, and controls the industry and year variables. In this paper, the control variables selected from the enterprise financial characteristics and the enterprise governance structure are as follows:

The financial characteristics of the enterprise include: enterprise size (Lnsize), asset-liability ratio (Lev), profitability (ROE), cash flow ratio (Cashflow), management expense ratio (mfee), loss (loss), and debt maturity structure (Debt). Enterprise size (Lnsize); the cash decision of the enterprise is also affected by the corporate governance structure, and the indicators such as two roles (Duality), board size (BoardSize) and board independence (BoardIndep) are related to the agency problems of the enterprise, thus affecting the cash holding level of the enterprise. Considering the above factors, these three indicators were included in the controlling variables[21].

4. Model building

In order to test the relationship between the confidence commitment of major shareholders and the cash holding level of the enterprise and verify the hypothesis H1 proposed above, this paper refers to the research of Li Wenjing and Yan Jiayi (2021) and constructs the basic model as follows:

$$CashX_{i,t} = \alpha_0 + \alpha_1 NS_{i,t} + \alpha_2 \sum Control + \alpha_3 \sum Year + \alpha_4 \sum Ind + \varepsilon_{i,t} \quad (1)$$

In Model 1, Cash is the enterprise cash holding level; NS is the agency index of the same name, used to measure the confidence commitment of major shareholders; C ontrol is other factors that may affect the cash holding level of the enterprise, and the control year and industry fixed effect. See Table 1, if the α in the regression results$_1$Significant negative, means that the major shareholder can believe that the commitment will inhibit the cash holding level of the enterprise, so the hypothesis H1 is verified in this paper.

5. Descriptive statistics

The descriptive statistics of the main variables showed that the standard deviation of all other variables except the company size was less than 1, indicating the low degree of sample dispersion, and the mean of most variables was close to the median, indicating that the overall distribution of the sample is uniform.11 Specifically speaking, The average value of Cash 1 and Cash 2 are 0.2898 and 0.3498, respectively, indicating that the proportion of cash in non-cash assets of listed companies in China is relatively high, About 30% of the assets are present in cash, Far higher than the cash holding level of foreign enterprises; the median of Cash 1 and Cash 2 are 0.1658 and 0.2206 respectively, Shest that both Cash 1 and Cash 2 show some degree of rightward deviation, This is consistent with the existing research on enterprise cash holding level; the minimum and maximum values of Cash 1 and Cash 2 show a large gap in the cash holding level of listed enterprises in China. The mean value of NS was 0.3668 and the median was 0, indicating that the confidence level of major shareholders is relatively high, accounting for 36.68% of the sample, which is higher than the research level of existing foreign literature. The values of other control variables are within the reasonable range, and the statistical results are basically consistent with the existing studies[22].

6. Empirical analysis

6.1 Major shareholders can believe in the commitment and corporate cash holding level

Table 1 column presents the results of the regression in model 1. Table 1 (1) and (2) report the results of the cash holding level (C ash1), which are derived on the basis of controlling the annual and industry effects. Specifically, column (1) is a univariate regression of the cash holding level of the company, and the regression coefficient of the proxy index NS is-0.070 at the significance level of 1%. The Column (2) is obtained after the addition of a series of control variables, and the regression coefficient of the proxy index NS is-0.026 at the significance level of 1%. The significance reflected in economics is that after controlling the relevant variables at the company level, major shareholders can believe that the enterprise cash holding level will decrease by 2.6 units. In general, the coefficient of major shareholder confidence commitment (NS) in columns (1) and (2) of Table 1 is significantly negative, indicating a negative correlation between major shareholder confidence commitment and the cash holding level of the enterprise. This result verifies the hypothesis H 1 of this paper.

Table 1, columns (3) and (4), reports the estimated results of the confidence commitment cash holding level of the enterprise (C ash 2). Column (3) is the univariate regression of the confidence commitment of the enterprise. The coefficient of the confidence commitment of the major shareholder is-0.077, which is significant at the 1% level. Column (4) is the result obtained after the addition of relevant control variables. The confidence promised coefficient of the major shareholders is still significant at the 1% level, and the coefficient value is-0.025. The significance reflected in economics is that, after controlling for the relevant variables at the company level, the major shareholders can believe that the enterprise cash holding level will decrease by 2.5 units for each unit increase. The regression results still support the research hypothesis H 1.

Table 1: Test of confidence commitment and cash holding level of major shareholders

	(1)	(2)	(3)	(4)
	Cash 1	Cash 1	Cash 2	Cash 2
NS	-0.070	-0.026	-0.077	-0.025
	(-7.84)	(-3.56)	(-8.25)	(-3.31)
Lnsize		0.007		0.011
		(1.68)		(2.51)
Lev		-0.781		-0.707
		(-21.24)		(-18.53)
ROE		-0.080		-0.084
		(-1.73)		(-1.78)
Cashflow		1.040		1.162
		(18.51)		(20.95)
nwcap		-0.131		0.076
		(-4.41)		(2.51)
mfee		0.315		0.343
		(3.18)		(3.47)
loss		0.006		0.013
		(0.48)		(1.09)
Debt		0.090		0.152
		(4.36)		(7.23)
Duality		0.045		0.056
		(5.22)		(6.24)
BoardSize		-0.012		-0.012
		(-0.56)		(-0.55)
BoardIndep		-0.027		-0.035
		(-0.38)		(-0.49)
_cons	0.316	0.323	0.378	0.190
	(51.29)	(3.06)	(58.72)	(1.76)
N	19419	19419	19419	19419
Year	Yes	Yes	Yes	Yes
Industry	Yes	Yes	Yes	Yes
r2_a	0.139	0.370	0.141	0.395

Note: In parentheses is the t statistic based on heteroscedastic robust standard error. The standard error is adjusted by enterprise clustering, and *, * * and * * * are significant at 10%, 5% and 1% respectively. The following tables are the same.

7. Mechanism of action test

7.1 Major shareholders can believe the commitment, financing constraints and enterprise cash holding test

In order to verify whether the major shareholders can help to ease the corporate financing constraints, reduce the preventive motivation of cash holding, and keep the corporate holding at a low level. This paper draws on the research design of Chen et al. (2014), and uses the cash-cash flow sensitivity model to construct model 2 for mechanism testing.

The explained variable is the amount of change in corporate cash holdings (Δ $Cash_{i,t}$),

among $\Delta \text{Cash}_{i,t} = \frac{\text{Cash}_{i,t} - \text{Cash}_{i,t-1}}{Total\ assets;\ the\ explanatory\ variable\ is\ enterprise\ cash\ flow\ (Cashflow}$ i,t) And lag the first major shareholders can believe commitment ($NS_{i,t-1}$), and corporate cash flow ($Cashflow_{i,t}$) And the lagging phase of the major shareholders can believe the commitment ($NS_{i,t-1}$) The intersection of the item. Model 2 also controls the investment opportunities ($TobinsQ_{i,t}$= Market value / Total assets), capital expenditure ($Capex_{i,t}$), Changes in non-cash net working capital (Δ $nwcap_{i,t}$), Changes in short-term liabilities (Δ $Debt_{i,t}$), And the annual and industry effects. If major shareholders can promise to strengthen corporate financing constraints, the expected cash-cash flow sensitivity will be stronger,α_3The coefficient of, should be significantly positive. If major shareholders can believe in promises to ease corporate financing constraints, the expected cash-cash flow sensitivity will be weaker,α_3Of the coefficient should be significantly negative.

$$\Delta \text{Cash}_{i,t} = \alpha_0 + \alpha_1 \text{Cashflow}_{i,t} + \alpha_2 \text{NS}_{i,t-1} + \alpha_3 \text{NS}_{i,t-1} \times \text{Cashflow}_{i,t} + \alpha_4 \sum Control + \alpha_5 \sum Year + \alpha_6 \sum Ind + \varepsilon_{i,t} \quad (2)$$

Table 2 reports the impact of large shareholder confidence commitments on corporate cash-cash flow sensitivity (financing constraints). Results in the table show the $NS_{t-1}\times$ $Cashflow_{i,t.}$ The multiplication coefficient of β_3It is significantly negative, indicating that the major shareholder can believe that the dumb variable plays a role in alleviating the cash-cash flow sensitivity of the company. This shows that the controlling shareholder who adopts the strategy of the same name has a strong external financing ability and wide financing channels, which helps to ease the financing constraints of the company and thus improve the cash holding environment of the company.

Table 2: Major shareholders can believe that the commitment to affect the test of corporate financing constraints

	(1)	(2)
	ΔCash1	ΔCash 2
Cashflow	0.223	0.263
	(19.22)	(20.74)
NS_{t-1}	0.001	0.002
	(0.80)	(1.24)
$NS_{t-1}\times$ Cashflow	-0.035	-0.042
	(-2.04)	(-2.25)
controlled variable	Yes	Yes
_cons	-0.067	-0.046
	(-4.31)	(-2.59)
N	14223	14223
Year	Yes	Yes
Industry	Yes	Yes
r2_a	0.199	0.173

7.2 Major shareholders can believe and promise to weaken the test of the motivation of corporate cash holding agent

In order to verify whether major shareholders can rely on their commitments to alleviate agency motives related to cash holdings, reduce agency costs within the enterprise, and consequently decrease the enterprise's cash holding level. This paper draws on the practice of Yang Xingquan and Yin Xingqiang (2018), and constructs model 3 to explore the influence mechanism of major shareholders confidence commitment on the cash holding level of enterprises.

In Model 3, the explained variable Y is the alternative variable of the cash holding level of the enterprise, including the enterprise non-efficiency investment level Invest (the absolute value estimated from the Richardson (2006) model, the larger the value, the lower the investment efficiency level of the enterprise) and the dividend payment level Dividend (the ratio of cash dividend to total assets). The explanatory variable is the transfer item of the lag item and the cash holding level of the enterprise, and the control variable is consistent with the model (1).

$$Y_{i,t} = \alpha_0 + \alpha_1 \mathrm{NS}_{\mathrm{i,t-1}} \times CashX_{i,t} + \alpha_2 \mathrm{NS}_{\mathrm{i,t-1}} + \alpha_3 CashX_{i,t} + \alpha_4 \sum Control + \alpha_5 \sum Year + \alpha_6 \sum Ind + \varepsilon_{i,t} \quad (3)$$

Table 3 reports the effect path of major shareholders confidence commitment to weaken the motivation of corporate cash holding proxy.(1) - (4) is listed as the regression test for the exchange of dummy variables and cash holding. According to the regression results, major shareholders can believe the commitment and cash holding level $NS_{t-1} \times$ Cash 1, NS_{t-1}Cash 2 The estimated coefficients of non-efficient investment in enterprises are-0.014 (t-value is-1.94) and-0.015 (t-value is-2.15) respectively, which are significantly negative at the levels of 10% and 5% respectively, indicating that major shareholders can confidently promise to help alleviate the non-efficient investment held by enterprises in cash. By supervising the inefficient investment behavior of the management, especially the excessive investment behavior of the management —— building the "investment empire" and the behavior of the underinvestment of the management —— holding high cash for on-the-job consumption and interest invasion, the agency problem of the company is alleviated and the cash holding level of the company is optimized[23].

Table 3: Major shareholders can believe that the commitment to weaken the test of corporate cash holding agent motivation

	(1)	(2)	(3)	(4)
	Invest	Invest	Dividend	Dividend
$NS_{t-1} \times$ Cash 1	-0.014		0.005	
	(-1.94)		(2.18)	
$NS_{t-1} \times$ Cash 2		-0.015		0.004
		(-2.15)		(2.09)
Cash 1	-0.014		0.002	
	(-3.24)		(2.13)	
Cash 2		-0.010		0.003
		(-2.36)		(3.16)
NS_{t-1}	-0.003	-0.002	-0.000	-0.000
	(-0.92)	(-0.56)	(-0.70)	(-0.81)
controlled variable	Yes	Yes	Yes	Yes
_cons	0.144	0.143	-0.021	-0.021
	(4.85)	(4.79)	(-3.14)	(-3.10)
N	12393	12393	13977	13977
Year	Yes	Yes	Yes	Yes
Industry	Yes	Yes	Yes	Yes
r2_a	0.079	0.078	0.405	0.406

Vi. Endogeneity and robustness test

In addition, major shareholders can believe that they will allow companies to use more cash for dividend payments (column 3 NS in Table 3 $_{t-1}$The coefficient of Cash 1 is significantly positive at the level of 5%, column 3 NS $_{t-1}$The coefficient of Cash 2 is significantly positive at the 5% level), indicating that major shareholders reduce the encroachment on the interests of minority shareholders. To sum up, major shareholders can believe that they will not only alleviate the non-efficient

investment of enterprises, but also optimize the capital allocation of enterprises. Therefore, another effective mechanism that major shareholders can believe to promise to reduce enterprise cash holding is to reduce the agency motivation of enterprise cash holding by reducing the agency cost, so as to reduce the level of enterprise cash holding.

7.2.1 Change the measurement mode of the explained variables

In order to ensure the reliability of the empirical results, this paper uses different ways to measure the cash holding level of enterprises. Drawing on the practices of Opler et al. (1999), Chen Yanbai (2017) and Xiong Lingyun et al. (2020) to build indicators $Cash3 = \frac{monetary\ resources + Trading\ financial\ assets}{Total\ Assets - Cash\ and\ cash\ equivalents - Financial\ assets\ held\ for\ trading}$ Based on the research methods of Opler et al. (1999), Chen et al. (2012), Xin Yu and Xu Liping (2006)[2], and Lian Yujun et al. (2008), we construct indicators. $Cash4 = \frac{Cash\ and\ cash\ equivalents}{Total\ Assets - Cash\ and\ cash\ equivalents}$ Substitute Cash3 and Cash4 into the basic regression model 1, replacing the main regression's dependent variable measurement method, and after adding control variables, the coefficients for NS and Cash3, Cash4 are -0.053 and -0.051 respectively, both significant at the 1% level. This indicates that after changing the measurement method of corporate cash holdings, the conclusion that large shareholders' credible commitment negatively affects the level of corporate cash holdings still holds, demonstrating that the empirical results above are somewhat reliable.

7.3 The explanatory variables lag behind the one phase

In order to solve the problem of endogeneity, we use the explanatory variables to correct the estimation bias. Enterprises with low cash holding level may be due to low agency conflict or good internal governance of the company. In this case, the confidence promise of large shareholders will further improve the corporate governance level of the company, so as to further optimize the holding level of the enterprise. However, the cash holding level of an enterprise cannot have an effect on the confidence commitment behavior of the major shareholders in the previous year. Therefore, the selection of the explanatory variables that lag behind for the endogenous test can alleviate the endogenous problem of mutual causality. Specifically, the new variable L.NS was constructed from the NS lag phase one and brought into the main regression effect model 1, and the control variable remained consistent with that in model 1.

For the regression results without control variables, L.NS and Cash2 were-0. 056, -06 and-0.060, respectively, both significant at 1% level. After the addition of control variables, L.NS and Cash1, with the coefficients of-0. 022 and-0.021, respectively, and the results of the regression still support the null hypothesis, which proved the reliability of the conclusions in this paper.

7.3.1 PSM propensity score matching

The matched samples were brought into the main regression model 1, and the regression coefficient of NS, Cash 1 and Cash 2 were significantly negative after adding the control variables. The coefficient of NS and Cash 1 is-0.0 31, significant at 1%; the coefficient of NS and Cash 2 is-0.0 30, which is still significant at 1%, indicating that the confidence commitment and the cash holding level, which is consistent with the previous regression results, so the conclusion of this paper remains unchanged.

7.4 Vi. Expansion analysis

Major shareholders can believe the commitment, cash holding level and company value

According to the above analysis, the major shareholders can believe that the optimization effect of the enterprise cash holding is manifested in two aspects: one is to reduce the preventive motivation of the enterprise cash holding by alleviating the internal and external financing constraints of the enterprise. The second is to reduce the inefficient investment and use more retained cash for cash dividends, so as to reduce the agency motivation of cash holding. So, can the impact of the confidence commitment to the cash holding level of the company increase the enterprise value?

This paper draws on the practice of Li Changqing et al. (2018) to build model 4, and further analysis to verify whether the major shareholders can believe the commitment to improve the market value of the enterprise. The company value of the explained variable is expressed by the ROA and TobinQ of the company in the current period, and the explanatory variable uses the current enterprise cash holding level (Cash1, Cash2), the major shareholder confidence commitment (NS) and the transfer of the two, to test the difference between the confidence commitment of the major shareholder, the cash holding level of the enterprise and the value of the company.

$$ROA_{i,t}/TobinQ_{i,t} = \alpha_0 + \alpha_1 \mathrm{NS_{i,t}} + \alpha_2 CashX_{i,t} + \alpha_3 \mathrm{NS_{i,t}} \times CashX_{i,t} + \alpha_4 \sum Control + \alpha_5 \sum Year + \alpha_6 \sum Ind + \varepsilon_{i,t} \quad (4)$$

Table 4 reports the regression results of the confidence commitment of major shareholders, the cash holding level and the value of the company. According to the table, The estimated coefficient of ROA between NS Cash 1, NS Cash 2 and cash holding level is 0.007 (t-value is 2.24 and 2.1 9 respectively), And they were all significantly positive at the 5% level; The estimated coefficient of TobinQ of NS Cash 1 and NS Cash 2 for the confidence commitment and cash holding level is 0.164 (t value 2.17) and 0.143 (t value 1.82), Significantly positive at the 5% and 10% levels, respectively, the results indicate that major shareholders can make credible commitments to optimize cash holdings, which in turn enhances the financial performance and market value of the enterprise. This contributes to improving the company's ability to resist and defuse risks

Table 4: Testing Credible Commitments of Major Shareholders and the Cash Value of Firms

	(1)	(2)	(3)	(4)
	ROA	ROA	TobinQ	TobinQ
NS	-0.003	-0.003	0.015	0.013
	(-2.20)	(-2.28)	(0.47)	(0.38)
Cash 1	-0.003		-0.443	
	(-1.71)		(-9.01)	
Cash 2		-0.003		-0.465
		(-1.46)		(-9.30)
NS × Cash 1	0.007		0.164	
	(2.24)		(2.17)	
NS × Cash 2		0.007		0.143
		(2.19)		(1.82)
	(-0.33)	(-0.32)	(1.84)	(1.84)
controlled variable	Yes	Yes	Yes	Yes
_cons	-0.061	-0.061	5.356	5.313
	(-3.83)	(-3.85)	(12.83)	(12.73)
N	19417	19417	18878	18878
Year	Yes	Yes	Yes	Yes
Industry	Yes	Yes	Yes	Yes
r2_a	0.490	0.490	0.285	0.287

8. Conclusion

The phenomenon of controlling shareholders sharing the same name as listed enterprises is becoming more and more common, and its role is becoming more and more important. As an important means of governance for an enterprise, the same name closely binds the reputation of the enterprise with the reputation of the controlling shareholder. The resulting reputation mortgage effect of the major shareholders makes the outside company pay more attention to the credible commitment of the major shareholders. In addition, the concept of "cash is king" has always been the core of enterprise asset management. This paper takes Chinese listed companies from 20 01 to 20 21 as the research sample, takes the confidence commitment of major shareholders as the research object, and empirically tests the impact of the confidence commitment of major shareholders on the cash holding level of enterprises. The results found that the cash holding level of major shareholders was lower. Mechanism inspection shows that major shareholders can believe in the commitment to help ease financing constraints and reduce agency costs, and thus achieve a reduction in the cash holding level. In the extended analysis, this paper finds that major shareholders can promise to reduce the level of cash holdings while also increasing the value of the company.

One of the limitations of this paper lies in the availability of data. It only studies the listed companies in China. However, it is very important to give better play to the positive role of major shareholders and stimulate the polarity of small and medium-sized enterprises to adopt the strategy of the same name. Whether the conclusion of this paper should be noteworthy. In addition, major shareholders can believe that as a supplementary means of corporate governance mechanism, how its role changes over time and what will affect the financial and operational decisions of the enterprise is still an unsolved empirical problem.

References

[1] Xiao Tusheng, Sun Ruiqi, Yuan Chun. Research on the preventive value of enterprise cash holding under the impact of COVID-19 epidemic [J]. Economic management, and 2020, 42(04):175-191.DOI:10.19616/j.cnki.bmj. 2020.04.011.

[2] Xin Yu, Xu Liping. Factors affecting the cash holding level of listed companies: financial characteristics, shareholding structure and governance environment [J]. China Accounting Review, 2006, (02): 307-320.

[3] Lian Yujun, Su Zhi, Ding Zhiguo. Cash-cash flow sensitivity to test the financing constraint hypothesis?[J]. Statistical study, 2008,(10):92-99.DOI:10.19343/j.cnki.11-1302/c. 2008.10. 015.

[4] Li Changqing, Xing Wei, Li Maoliang. Controlling shareholder equity pledge and cash holding level: "hollowing out" or "to avoid the risk of control transfer" [J]. Finance and trade economy, 2018,39(04):82-98.DOI:10.19795/j.cnki.cn11-1166/f. 2018.04. 007.

[5] Kuang Xuewen, Peng Diyun, He Enliang. Research on the Market Value of cash holdings of Listed Companies in China—Empirical evidence based on financing constraint theory [J]. Journal of Shanxi University of Finance and Economics, 2009, 31 (12): 71-78.

[6] Liu Boyan, Han Liyan. Comparative Study on Liquidity Management of Chinese and American Listed Companies ——Based on industry characteristics of cash holding strategy [J]. Economic longitude, 2011,(05):145-150.DOI: 10.15931/j.cnki.1006-1096.2011.05.014.

[7] Xiong Lingyun, Jiang Yaoming, Lian Lishuai, etc. Leverage holding of controlling shareholders and enterprise cash holding [J]. The Industrial economy of China, 2020,(08):137-155.DOI:10.19581/j.cnki.ciejournal. 2020.08.008.

[8] Yang Xingquan, Yin Xingqiang. How does the mixed reform of state-owned enterprises affect the companys cash holdings?[J]. Managing the World, 2018, 34(11):93-107.DOI:10.19744/j.cnki.11-1235/f. 2018.0008.

[9] Zheng Peipei, Chen Shaohua. Managers overconfidence, internal control and corporate cash holding [J]. Management Science, 2018, 31 (04): 3-16.

[10] Li Wenjing, Yan Jiayi. Who uses the internal capital market: enterprise collectivization degree and cash holding [J]. The Industrial economy of China, 2021, (06):137-154.DOI:10.19581/j.cnki.ciejournal. 2021.06.008.

[11] Bates T W, Kahle K M, Stulz R M. Why do US firms hold so much more cash than they used to?[J]. The journal of finance, 2009, 64(5): 1985-2021.

[12] Denis D J, Sibilkov V. Financial constraints, investment, and the value of cash holdings[J]. The Review of Financial Studies, 2010, 23(1): 247-269.

[13] Jensen M C. Agency costs of free cash flow, corporate finance and takeovers[J]. American Economic Review, 1986.
[14] Tadelis S. Whats in a Name?Reputation as a Tradeable Asset[J]. American Economic Review, 1999, 89(3): 548-563.
[15] McDevitt R C. "A" business by any other name: firm name choice as a signal of firm quality[J]. Journal of Political Economy, 2014, 122(4): 909-944.
[16] Cabral L M B. Stretching firm and brand reputation[J]. RAND Journal of Economics, 2000: 658-673.
[17] Choi J P. Patent litigation as an information-transmission mechanism[J]. American Economic Review, 1998: 1249-1263.
[18] Ingram P. Organizational form as a solution to the problem of credible commitment: The evolution of naming strategies among US hotel chains, 1896–1980[J]. Strategic management journal, 1996, 17(S1): 85-98.
[19] Opler T, Pinkowitz L, Stulz R, et al. The determinants and implications of corporate cash holdings[J]. Journal of financial economics, 1999, 52(1): 3-46.
[20] Belenzon S, Chatterji A K, Daley B. Eponymous entrepreneurs [J]. American Economic Review, 2017, 107(6): 1638-1655.
[21] Chen C, Song M, Truong C, et al. Naming as business strategy: an analysis of eponymy and debt contracting[J]. Review of Accounting Studies, 2024, 29(3): 2971-3017.
[22] Chen D, Li S, Xiao J Z, et al. The effect of government quality on corporate cash holdings[J]. Journal of Corporate Finance, 2014, 27: 384-400.
[23] Richardson S. Over-investment of free cash flow [J]. Review of accounting studies, 2006, 11: 159-189.