

# The Influence of Ownership Structure on Operational Performance

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**Abstract:** In this case, if we can study the impact of ownership structure on business performance, it is also conducive to the further deepening of the reform of banks. This paper believes that the issue of business performance can be effectively dealt with from the perspective of equity concentration and equity attributes.

## 1. Introduction

Today's society is progressing rapidly, the development of my country's modernization construction has been greatly improved, and the competition between banks is also increasing. Studying the impact of ownership structure on operating performance will help banks to change their ownership structure more reasonably.

## 2. Related Theoretical Research Background and Theoretical Analysis

If a company's shareholding structure is well arranged, then the company's operating performance must be good. In today's world financial environment, crises occur frequently, which means that there are loopholes in the process of corporate governance. Considering the situation in my country, the financial system reform has been in progress, and Chinese enterprises have also been carrying out internal optimization and adjustment. The banking industry wants to improve its own operations. Performance necessarily requires optimized internal structures.

### 2.1 The Link between Ownership Concentration and Business Performance

If the shareholding is highly concentrated, there may be the following results: on the one hand, the management may be controlled by the controlling shareholder or even the management may have shareholders themselves, and these shareholders will do their best to run the bank out of their own interests, which is beneficial; On the one hand, it is easy to generate internal monopoly, the controlling shareholder occupies most of the company's right to speak, and it is often easy to ignore the rights and interests of other shareholders.

On the contrary, if the shareholding is too dispersed, it may also affect the operating performance. On the one hand, shareholders with a low proportion of shares take less risks and obtain less benefits. Therefore, these shareholders lack the motivation to supervise the management. They will be lazy in exercising their rights, which will make the problem of "free rider" and information asymmetry within the company more serious.

## **2.2 The Relationship between Equity Attributes and Business Performance**

### **2.2.1 State-Owned Shares**

The state-owned shareholders are the government and its departments. The government will not share the bank's profits, and naturally it does not have to bear the bank's risks.

### **2.2.2 Domestic Legal Person Shares**

Most of the domestic legal person shareholders are some large domestic enterprises with rich experience and strong capital. Such enterprises have several things in common: 1. They have accumulated many years of experience in company operation; 2. They have many excellent think tanks; 3. They are profit-oriented. primary goal. Therefore, if this type of enterprise is holding a controlling stake, it can apply the excellent experience in operating the enterprise to the bank, and large enterprises usually have rich personal connections, which is also an advantage for the bank. Therefore, increasing the proportion of domestic legal person shares can help improve bank performance.

### **2.2.3 Overseas Legal Person Shares**

Domestic and foreign legal person financial institutions can provide domestic commercial banks with cutting-edge operational ideas and management experience, and through alliances, they can drive the innovation of domestic commercial banks' financial services; overseas legal persons can provide us with abundant capital and enhance bank capital capabilities.

### **2.2.4 Outstanding Shares**

Most of the holders of tradable shares are ordinary shareholders. Their investment motivation is often to buy high and buy low to earn the difference, but they do not pay attention to the company's performance. Their blind choice may bring about equity volatility and make the company fall into the competition for control rights. In danger, it is not conducive to the stable development of the company.

The ownership structure determines which shareholders have the decision-making power of the company, and these controlling shareholders can further decide the candidates of managers, thus changing the operation and performance of the enterprise in a deep level. The development of modern China's finance is inseparable from the banks, and the people's daily life is also inseparable from the banks, so it is necessary to ensure that the banks have good performance.

## **3. The Problems Existing in the Shareholding Structure Affecting Operational Performance**

### **3.1 From the Perspective of Ownership Concentration**

On the one hand, since the shareholding ratio of the first major shareholder is negatively correlated with the comprehensive operating performance of small and medium-sized banks, it means that the higher the holding ratio of the first major shareholder, the worse the comprehensive operating performance of the enterprise. Under the circumstance that the interests of major shareholders are highly concentrated, corporate shareholders of large companies are often "dominated by one share", which is more likely to manifest the effect of "hollowing out", and use the large amount of financial service resources of the enterprise to harm and sacrifice the rights and interests of small and medium-sized shareholders. , and then have a greater negative impact on the operation and management of the enterprise, thereby further weakening the comprehensive operation performance of the enterprise. In addition, since the shareholding ratio of the top ten shareholders has a positive correlation with the bank's operating performance, the lower the shareholding ratio of the top ten shareholders, the lower the shareholding ratio of the top ten shareholders means that the ownership of the enterprise is too scattered, and it will also cause the operators and owners of the enterprise to compare High isolation, thus forming a larger cost of entrusted agency, will also weaken the comprehensive operating

performance of the enterprise to a certain extent. Considering the above two aspects comprehensively, only a moderately concentrated shareholding structure can reasonably play an incentive and restraint effect, the bank's operation and management level will be more stable, and the performance level will be improved.

### **3.2 From the Perspective of Equity Balance**

The sum of the holding ratios of the second to fifth shareholders and the ratio of the shareholding ratio of the first major shareholder has a positive correlation with the bank's comprehensive business performance level, indicating that the stronger the company's control degree, that is, the mutual restraint between the bank and the company The stronger the strength, the more obvious the improvement of the comprehensive operating performance of the bank, and the higher the profit performance level of the commercial bank.

### **3.3 From the Perspective of Equity Attributes**

First, when local financial holdings, especially when they become the largest shareholder, the comprehensive operational performance of local banks will drop significantly. This is mainly because the higher the local government's shareholding ratio, the stronger the government's intervention force. In the daily business activities of commercial banks, especially in some important strategic decisions, the supervision function of "one layer and three committees" of commercial banks is often If it can't be brought into full play, the internal management and supervision mechanism is useless, and the risk control of commercial banks is insufficient, thus seriously affecting the overall level of business performance. Second, state-owned shares do not contribute to business performance. The more state-owned shares, the worse the operating performance of commercial banks may be. On the contrary, increasing domestic legal person shares will help improve operating performance. Overseas legal person shares will reduce bank performance. The number of tradable shares has a significant positive correlation with the company's operating performance, and the increase in tradable shares will prompt managers to improve performance to absorb more investment

## **4. Improvement Measures and Suggestions**

### **4.1 Reduce Major Shareholder Equity**

State-owned commercial banks should reduce the stake of major shareholders. The shareholding ratio of the top ten shareholders should be reduced and transferred to more domestic investment institutions. This can make the bank's equity concentration more rational, and increase the domestic legal person shares. Compared with European and American countries, the proportion of large commercial banks in China is relatively concentrated. The phenomenon of higher control can easily infringe the rights and interests of small and medium shareholders, and it is also easy to cause the personal interests of large shareholders to be detrimental to the overall operating performance of commercial banks. Therefore, it is necessary to gradually Reduce the holding ratio of the largest shareholder to change the dominant position.

### **4.2 Equity Optimization for Banks**

Enterprises should also transfer their state-owned shares and domestic and foreign legal person shareholders to domestic and foreign legal person institutions as much as possible in order to optimize shareholders. The higher the holding ratio of an enterprise legal person, the more it promotes the improvement of the overall operational performance of the enterprise. Therefore, the shareholding structure under the control of shareholders with the characteristics of multiple legal persons in the enterprise is also a very good option. Because the rights and purposes held by corporate legal persons are more specific than citizens and other countries, that is, profits. In this case, since the rights and

interests of corporate shareholders are similar to the rights and interests of enterprises, corporate legal persons will also deeply reflect on the future development prospects of the company and its long-term interests to the company and us under the status of holding the company. It will be more active in the internal management of the enterprise, and play the function of supervision and incentives, thus promoting the improvement of our overall operating performance. In order to reduce the influence of the shareholding ratio of state institutions on the operation performance of the enterprise, it is suggested to gradually disperse the equity of the enterprise into the hands of different legal person investors, and to give full play to the advantages and benefits of the legal person company in enterprise management.

#### **4.3 Actively Introduce Institutional Investors**

Although foreign financial institutional investors have relatively weak influence on China's capital market and market economy, it has a positive impact on the improvement of our operating performance. Moreover, the entry of foreign capital into China's capital market will also have a certain impact on China's financing market. Whether it is intensifying the competition mechanism or participating in the management of Chinese commercial banks, it will have different impacts on the development of China's financial market and banking industry. The performance of commercial banks will have a good effect. When introducing foreign capital, we must ensure an appropriate investment ratio, not only to make foreign capital have a driving effect on Chinese commercial banks, but also to ensure the independence and integrity of Chinese commercial banks. In addition, when introducing foreign capital, Chinese commercial banks should actively absorb the advanced thinking and management methods of foreign capital, and at the same time master their advanced risk control thinking and management methods.

#### **5. Conclusion**

In general, there are still many imperfections in the current domestic related issues, and there are still many problems in the development process. Only by solving these problems can the domestic banking industry develop better.

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