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CORPORATE OWNERSHIP, EFFICIENCY AND PERFORMANCE UNDER STATE CAPITALISM: EVIDENCE FROM CHINA

By

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Abstract

This paper studied the relationship between business performance and the ownership structure of firms focusing on Chinese state owned enterprises (SOEs) using a firm level panel data set of China from 1999 to 2011. By classifying all firms into different types based on their ultimate controlling shareholders, we found that SOEs in general underperform in the marketplace than private enterprises. However, among the SOEs in our sample, the SOEs controlled by central government outperformed all types of firms because they offered the highest asset turnover ratio and lowest business administration ratio by receiving favourable government treatment. We conclude that firm ownership type and work efficiency are the main factors that influence the differences in firm performance. In particular, the performance of SOEs controlled by central government is greatly determined by the degree of government intervention, which is referred to as State Capitalism.

Keywords: Ownership, efficiency, firm performance, state capitalism, China

1. INTRODUCTION

Irrespective of size, ownership or geographical location, firms are defined by their structure. The dearth of inconsistency found in the literature endeavoring to establish the relationship between firm structure and performance makes investigating these concepts complex and difficult (Bruton et al., 2015). This contributes to the lack of generalizability of study findings thus making research in this area problematic (Dalton et al., 1980). This

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