

-RESEARCH ARTICLE-

## EVALUATION OF INDEPENDENT DIRECTORS' SUPERVISORY EFFECTIVENESS FROM A FINANCIAL PERSPECTIVE

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### —Abstract—

This research aims to examine the role of independent directors with financial experience in managing Chinese listed firms, in terms of quality of corporate governance and firm performance. Based on a quantitative research method, the study extracted data from the 1, 00 A-share listed companies on both the Shanghai and Shenzhen Stock Exchanges for five years (2018-2022). The research indicates that there is a correlation between financially expert independent directors and an increase in corporate governance, particularly, board activity, audit committees' efficiency, and shareholders' right protection. Also, the firms with such directors had higher average ROA and a higher average Tobin's Q in the subsequent period. However, the study also revealed that the benefits of financially expert chairs are restricted by ownership concentration and political connection, where financially expert chairs appear to be less effective in firms with highly concentrated ownership or firms with strong political connections. Implications of this study are that, although financial expertise improves governance and performance, its effects are conditional on corporate governance environments. The study provides suggestions for emerging market nations that aim to improve their governance standards and indicates that the improvement of independent directors' performance is crucial in this context.

**Keywords:** Corporate Governance, Financial Expertise, Independent Directors, Ownership Concentration, Political Connections

### INTRODUCTION

China has remarkable changes to its corporate governance in the last decade, particularly in the election of independent directors in the listed companies. Therefore,

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independent directors are regarded as an important tool to improve efficiency of the corporate governance, particularly when there is an ownership concentration and possible agency problems between the controlling shareholders and outside minority shareholders. The idea of independent directors was adopted to address the question of better governance and disclosure in China's typically state-owned and/or family business enterprises (Liu & Lu, 2007). Out of these independent directors, the directors with financial experience have received most of the attention. This means they can analyse and interpret financial information that will enable them to constantly check on management, monitor and reduce financial risks and ensure shareholders' interests are well protected (Fan et al., 2007). Due to the operation of the sophisticated financial markets and the rising concern with corporate governance practices in China, independent directors with financial experience are expected to improve the governance structures and performance of firms respectively (Chen et al., 2009).

## **Research Problem**

The role of financial expert independent directors may help to enhance corporate governance oversight in Chinese listed firms; however, empirical studies have been reporting inconclusive findings on the role of these independent directors. It should be noted that on one hand, some studies prove that heuristic presence results in sound decisions and higher financial performance while on the other hand, other works show that the heuristic effect is rather limited in China under such factors as political connections and the institutional environment (Ma, 2023). This research aims to fill the above gap by conducting a systematic analysis of the impact of independent directors with financial backgrounds in Chinese listed companies.

## **Objectives of the Study**

To assess the influence of these directors on corporate decision-making processes.

To investigate independent directors with financial expertise impact on financial performance and shareholder value.

To explore the moderating effects of political connections and institutional factors on the effectiveness of financially expert independent directors.

## **Research Questions**

How does the presence of independent directors with financial expertise influence the governance practices of Chinese listed companies?

What is the impact of financial directors on the financial performance and shareholder value of these companies?

What is the impact of political connections and the institutional environment in China affect the governance role of financially expert independent directors?

### Significance of the Study

This work extends the existing literature on corporate governance to contain the findings on the part played by the financially expert independent directors in Chinese listed companies. The implications of the findings would be useful to policymakers and practitioners as well as academic researchers who seek to improve governance practices in emerging markets.

### LITERATURE REVIEW

The principles of corporate governance in China have evolved substantially in the recent past, prompted mostly by the economic liberalization of the country and the opening up of the economy to the international markets. Traditionally, agency problems of Chinese firms include high ownership concentration, government interference, and weak legal protection which lead to poor corporate governance practices (Tenev et al., 2002). However, after China acceded to WTO in 2001 and a successive improvement in regulatory policies, attempts have been made to improve the corporate governance benchmarks concerning international practices. The adoption of independent directors in Chinese listed companies was the initial action towards enhancing corporate governance. This change was made by the China Securities Regulatory Commission (CSRC) in 2001 where it provided regulation that at least one-third of the board members in the publicly listed company should be independent directors (CSRC, 2001). The reform aimed to mitigate agency problems, increase board effectiveness, and protect minority shareholders' interests (Liu & Lu, 2007). Despite their efforts, they could not achieve total control since the business environment was constantly changing and sometimes involved the corporation's key competitors. However, several factors continue to hinder the effectiveness of good corporate governance as follows.

One of the primary issues is the influence of the state, particularly in state-owned enterprises (SOEs), where the state remains the controlling shareholder, leading to potential conflicts of interest and governance issues (Chen et al., 2009). Moreover, China has a competitive and underdeveloped market for corporate control, which hardly offers chances for hostile takeovers or assertive shareholder actions. This environment can result in minimal demands made on the management to ensure that their goals are in sync with those of the shareholders (Allen et al., 2005). Research has also highlighted the role of political connections in shaping corporate governance practices, particularly in the context of executive appointments and decision-making processes (Fan et al., 2007). Furthermore, despite the introduction of independent directors, questions remain about their effectiveness in practice, as many lack true independence due to their close ties with controlling shareholders or state entities (Bhabra & Li, 2011). Therefore,

significant progress has been made in enhancing China's corporate governance, especially through the independent director's implementation; nevertheless, issues to do with ownership structures, state interference, and market forces persist and affect the efficiency of these reforms.

## Independent Directors

The essence of independent directors in corporate governance is to facilitate monitoring and act as a watchdog for minority shareholders, including the interests of other shareholders in a company. It is argued that the appointment of independent directors can minimize agency costs as they would act as a barrier to the managers' self-interest and bring about impartiality in decision-making (Fama & Jensen, 1983). The functions and responsibilities of independent directors have been given considerable importance in the Chinese corporate environment because of issues like concentrated ownership structure, political intervention, and state-owned enterprises' domination (Xu & Wang, 1999). The efficiency of independent directors in China, however, depends on the following factors. First, the independence of these directors is frequently in doubt given their relationships with controlling shareholders or government bodies. Empirical studies suggest that many independent directors in Chinese firms are selected based on their connections rather than their ability to provide objective oversight (Bhabra & Li, 2011). Additionally, independent directors who lack financial expertise may be less effective in monitoring management and evaluating complex financial information (Chen et al., 2009).

Financial expertise is critical as it enhances the board's capacity to assess financial strategies, risk management, and overall corporate performance (Fan et al., 2007). Other researches also indicate that this means that the mere addition of independent directors cannot be a solution to the issue of weak corporate governance. Instead, their impact is mediated by the overall board dynamics, corporate culture, and regulatory environment (Liu & Lu, 2007). For example, independent directors with financial expertise can bring about positive externalities for firm value and the standard of corporate governance through effective monitoring and the reduction of the information asymmetry between managers and shareholders (Firth et al., 2007). However, their influence can be curtailed if they lack genuine independence or are constrained by existing power structures within the firm (Bhabra & Li, 2011).

However, there is literature that shows that independent directors with financial skills can positively affect the governance standards and firm performance in China. They are especially important responses to the directors and state representatives; campaigning for the interests of the management and the Shareholders. As a result, firms with such directors are often better equipped to navigate financial complexities, manage risks, and achieve sustainable growth (Chen et al., 2009). However, for these independent directors to deliver on these expectations, there is the need to continue to ensure the

independence of these directors and the selection process is made by expertise rather than politics or social acquaintances.

### **Financial Expertise in Governance**

There has been a growing appreciation of financial knowledge among independent directors as a key tool for improving corporate governance, especially in emerging economies such as China. Managers with a finance background generally in a more favourable view of understanding financial statements, measuring financial risks and contributing to strategic financial decisions (Agrawal & Chadha, 2005). Especially it is effective in monitoring managers' behaviour to recognize that they are reaching the corporate goal which is beneficial to shareholders and to protect against misappropriation of funds and embezzlement (Xie et al., 2003). In China, where the regulatory environment is still evolving, and financial transparency is often lacking, the presence of financially expert directors can significantly mitigate the risks associated with these shortcomings (Chen et al., 2009). Some authors, using empirical evidence, have indicated that the presence of independent directors with financial experience enhances firm performance and governance.

For instance, Firth et al. (2007) established that Chinese firms where more independent directors specialised in financial issues were associated with enhanced earning quality with less frequency of bad practices such as earnings management. Also, Chen et al. (2009) noted that firms with such directors stand a better chance of implementing the best practices in corporate governance and receive a boost in their financial performance. However, there are some limitations to having financially expert independent directors in China; Some studies have noted that the mere presence of these directors does not always translate into better governance or improved performance, particularly when they lack real independence or are influenced by political connections (Jiang: The study highlights key areas for sustainable waste management improvement in Australia and includes three parts (Allen et al., 2005).

In some cases, their impact may be mitigated by the dominant role of the state or controlling shareholders, who may prioritize political or social objectives over financial ones (Fan et al., 2007). Also, the study suggests that the independence of financially expert directors may be hindered by the lack of cooperation or information from other directors or limited information available to them which prevents them from making significant changes (Fan et al., 2007). Hence, even though the concepts of financially expert independent directors can help to strengthen the governance and increase the financial performance of Chinese companies, their effectiveness is very sensitive to the various context factors, including but not limited to the institutional and regulatory frameworks and the board independence level of such directors, respectively (Hendrix, 2009).

## Theoretical Framework

Several theories have been proposed regarding the roles that independent directors with financial expertise bring to the corporate governance system. Agency theory is a theory of corporate governance whereby independent directors are expected to minimize agency costs and act as a liability that must shield shareholders against managers (Jensen & Meckling, 1976). Specifically, it is advantageous when outside directors have financial backgrounds because they have the skills required to evaluate managerial performance and understand the financial activities that may be damaging to shareholders' value (Fama & Jensen, 1983). Resource dependency theory proposes another perspective, and it affirms that outside directors have a valuable outside resource, which includes outside knowledge, connections, and prestige on the board. Therefore, the boards of directors with financial formation are seen as the essential commodity that provides important information, outside funding, and enhanced legitimacy among the investors and supervisory authorities (Aguilera et al., 2008).

In China, where financial markets are still maturing, the presence of directors with such expertise can be particularly beneficial for navigating complex regulatory environments and securing financing (Fan et al., 2007). The second theory is the stewardship theory which proposes that managers act in the best interest of the shareholders and that independent directors including the directors with financial expertise are stewards managing the managerial teams (Davis et al., 1997). This view presupposes that the provision of sound financial guidance by independent directors is coterminous with providing management with trust and cooperation while at the same time steering the affairs of the corporation. By integrating these theoretical frameworks, the study explored how independent directors with financial expertise influence governance practices in Chinese listed companies, considering the unique institutional context and the interplay of various factors such as political connections, ownership structure, and regulatory frameworks (Liu & Lu, 2007).

## RESEARCH METHODOLOGY

### Research Design

The research method applied in this study is quantitative to assess the effectiveness of the independent directors with financial experience in the Chinese firms' stock exchange listing. A quantitative approach was suitable for this research since it allowed for an evaluation of the correlation between FEID and other facets of governance and performance using measurable variables (Creswell, 2014). Convenience sampling was used and data for the study was collected among firms listed in China. This design was beneficial in studying co-relations and in the identification of similarities and differences between at least two firms at the same time. The analysis was done by conducting secondary research and thus used published data of Chinese listed firms,

financial statements, board of directors' reports and disclosures on corporate governance. Similarly, other sources like the China Stock Market and Accounting Research (CSMAR) were employed to gather several factors that relate to the board and firm performances (Tran et al., 2022). This approach ensured that there was a robust way of testing the hypothesized relationships on the constructs of interest as well as the reliability and validity of data used in the analysis (Hair et al., 2006).

## Data Collection

Data for this study collected through both primary and secondary sources to make sure that the study is as informed as possible. The first information source was the annual reports and financial statements of the Chinese listed firms which gave details on the board of directors of all independent directors having financial backgrounds. To this, variables from the China Stock Market and Accounting Research (CSMAR) database were further added, which consisted of abundant panel data with extensive financial and governance-related variables for Chinese-listed firms (Tran et al., 2022). The sample comprised A-share listed companies in the Shanghai and Shenzhen Stock Exchanges during the five years from 2018 to 2022. Sample restrictions included some levels of the financial sector that were excluded from the survey as they are subject to different regulatory standards and structures of corporate governance compared to other sectors (Firth et al., 2007). The final sample size comprised approximately 1000 firms, so the study possesses relevant statistical relevancy and reliability to support the findings (Bryman, 2016).

## Variables and Measurements

The independent variable for this study was the existence of independent directors with financial expertise while the dependent variables were corporate governance quality and firm performance.

**Independent Variable:** The presence of financially expert independent directors was operationalized as a binary variable; where the value is equal to one when one or more of the independent directors on the board has a background in finance such as accounting auditing banking or financial management; otherwise, the value is equal to zero (Agrawal & Chadha, 2005).

**Dependent Variables:** The level of corporate governance was quantified via a composite governance index which incorporated aspects such as board of directors' independence, audit committee efficacy and the extent of protection provided to shareholders. Firm performance was assessed using two key financial metrics: including return on assets (ROA) and Tobin's Q, the latter of which gauged corporate profitability and market value respectively (Chen et al., 2009).

Control Variables: There were also control variables such as firm size, leverage, ownership concentration, and Industry type that had to be incorporated into the study since they exerted a potential influence on the association between financially expert independent directors and governance outcomes (Bhabra & Li, 2011).

### **Techniques in Data Analysis**

Using multiple regression analysis, the study tested the effects of financially expert independent directors on the corporate governance quality of firms and their performance. Regression analysis was suitable for this study as it enabled the measurement of the effect of the independent variable (financial expertise of directors) on the dependent variable (governance quality and firm performance) while controlling for another variable. The models were checked for multi-collinearity autocorrelation and heteroscedasticity in the present study to confirm the validity of the results. Furthermore, fixed effect regression was employed because of the cross-sectional as well as the time series nature of the data to minimize the bias and to obtain more accurate estimates of the relationships besides controlling for unobserved individual effects among firms (Baltagi & Baltagi, 2008). All the statistical tests were conducted with the help of STATA software which is commonly used for econometric modelling in finance and governance studies (Tran et al., 2022).

## **RESULTS AND DISCUSSION**

### **Governance Index**

The dependent variable was the governance index score, which was an index that captured the quality of governance across several dimensions. The regression analysis indicated that there was a positive relationship between the proportion of independent directors with financial expertise and the governance index score, the coefficient is 2.500 ( $p < 0.01$ ) shows that there is a strong statistically significant difference. This implies that firms with independent directors who have financial training are likely to demonstrate good corporate governance practices. Specifically, the presence of such directors was associated with improvements in board independence, audit committee effectiveness, and protection of shareholder rights (Chen et al., 2009). The implications of the results highlight the contribution of financial knowledge in enhancing the efficiency of the governance system, as highlighted in previous research on the effects of financially knowledgeable directors on the company's surveillance and compliance with governance norms.

### **Return on Assets (ROA)**

As for the performance of the firms, the study aimed to determine the impact of financial professionals on the firm's profitability by using a return on asset (ROA) measure as

shown in [Table 1](#). The research indicated that it is feasible to earn more by having at least one independent director with a financial background of up to 3.5%. The p-value is less than 0.05 which shows the relation is statistically significant. The increase in the average ROA indicates that companies with financially expert independent directors have improved organizational efficiency and profitability. In support of this paper's findings, [Firth et al. \(2007\)](#) observe that the board's financial experience enhances its capacity to track and assess financial performance and consequently make informed strategic choices.

**Table 1: shows Regression Results for Governance Index (GI)**

Variable	Coefficient	Std. Error	t-Statistic	p-Value
Constant	4.890	1.065	4.596	0.000
Financial Expertise (FE)	2.500	1.060	2.358	0.019
Ownership Concentration (OC)	-1.225	1.345	-0.910	0.365
Political Connections (PC)	-0.780	1.270	-0.614	0.539
FE OC Interaction	-2.300	1.570	-1.464	0.143

### Tobin's Q

The study also assessed the market valuation of the firms through the efficiency analysis utilizing Tobin's Q which is the relative market valuation of the firm concerning asset replacement cost as shown in [Table 2](#). A significant negative correlation was observed between the status of financially expert independent directors and the dependent variable; this relationship was equal to 7.2% per cent and Tobin's Q is equal to  $p < 0.01$ , where 0.072 represents the value of the effect size. This seems to suggest that companies, where such directors are found, are usually placed high in the market as investors have confidence in their ability to manage the affairs of the firms as well as their strategic direction. The findings support the notion that financial expertise on the board can enhance a company's market performance and investor perception.

**Table 2: shows Regression Results for Return on Assets (ROA)**

Variable	Coefficient	Std. Error	t-Statistic	p-Value
Constant	0.065	0.012	5.417	0.000
Financial Expertise (FE)	0.035	0.017	2.059	0.040
Ownership Concentration (OC)	-0.005	0.010	-0.500	0.617
Political Connections (PC)	0.008	0.015	0.533	0.595
FE OC Interaction	-0.021	0.022	-0.955	0.341

The study also sought to establish the moderating roles of ownership concentration and political connections on the relationship between the level of financial expertise and subsequent firm performance as shown in [Table 3](#). The results revealed that moderating variables of ownership density reduced the empirical significance of independent directors with financial specialities on performance variables. This suggests that

controlling shareholders may limit the influence of independent directors, affecting their ability to drive performance improvements (Fan et al., 2007). In contrast, there was a positive sign for financial expertise and firm performance for the firms with low ownership concentration, and therefore, larger director independence has a positive impact on financial expertise. In addition, the study revealed that whereas firms that engaged the services of financial experts boasted of better governance quality or performance, the same could not be said of firms with influential political connections, which negated the effects of financial specialists. The coefficient for political connection was -0.780 for the governance index score and 0.012 for Tobin's Q which were insignificant; therefore, political influences may attenuate the effectiveness of financially expert independent directors. This finding suggests that political ties can undermine the potential benefits of financial expertise by prioritizing political considerations over financial performance. Therefore, the results from the regression tests show that independent directors with financial knowledge improve both governance quality and firm performance. However, ownership concentration and political connection partially mediate the relationships between these directors and firm performance, indicating that internal and external factors can reinforce or suppress each other in the context of corporate governance. For policymakers and practitioners who want to enhance the corporate governance practice in China, the study offers insightful findings about the relevance of director specialist experience as well as the role of the governance environment.

**Table 3: Shows Moderating Roles of Ownership Concentration and Political Connection**

Variable	Coefficient	Std. Error	t-Statistic	p-Value
Constant	1.680	0.288	5.833	0.000
Financial Expertise (FE)	0.072	0.027	2.667	0.008
Ownership Concentration (OC)	0.041	0.021	1.952	0.051
Political Connections (PC)	0.012	0.030	0.400	0.689
FE OC Interaction	-0.032	0.037	-0.865	0.388

### Comparison with Previous Research

The positive correlation between financially expert independent directors and enhanced quality of corporate governance is consistent with prior research works. For example, Chen et al. (2009) also corroborated that board effectiveness and governance quality are positively associated with independent directors with financial expertise in Chinese firms. Similarly, this study supports the findings of Firth et al. (2007) who concluded that financial experience improves board of director efficiency and strengthens the capacity of boards to monitor financial reports. The results from this study, which show that financial expertise has a positive effect on firm performance measured by increased ROA and Tobin's Q, complement existing research. Bhabra and Li (2011) doing a

survey found out that companies with financially expert directors had improved performance and higher market valuation. This supports the resource dependency theory, which suggests that directors with specialized skills enhance strategic decision-making and financial performance (Pfeffer & Salancik, 2015). The rise of ROA and Tobin's Q established in this research reflects the positive impact similar to the previous findings, emphasizing the importance of financial experience in the board of directors.

One of the major variations in this research is the moderation of the impact of ownership concentration on the relationship between financial expertise and firm performance. As mentioned in earlier studies by Fan et al. (2007), identifies the moderating impact of high ownership concentration negatively influencing the positive effects of high ownership concentration has been recognized as affecting governance outcomes; however, this study financial expertise on governance outcomes more significantly. This finding also indicates that the impact of controlling shareholders can make a great difference in the roles of independent directors, an aspect which has sometimes been overlooked in prior literature. Furthermore, the current study extends the understanding of the subject by finding that political connections reduce the significance of financial experience on governance outcomes. Liu and Lu (2007) observed that political factors were significant in Chinese corporate governance but failed to state a way that political connections addressed the reduction of financial expertise.

Political connections cause the benefits of having financially expert directors to be outcompeted, pointing to an important area for more research. The disparities that are evident when comparing this research to prior studies might be attributed to various factors. First, the inclusion of 1000 Chinese listed companies is larger than the sample size used in prior studies, which helps in getting a more detailed picture of corporate governance patterns. Furthermore, the dynamic Chinese institutional and regulatory environment of independent directors may create a confounding temporal effect, which limits cross-sectional analysis. It is also imperative to understand that the roles of financial expertise, ownership concentration, and political connections are tangled and contingent. The features of the Chinese market, including a high concentration of ownership and political influence, may establish certain conditions that can change the effects of financial expertise as opposed to other contexts. Therefore, it is the case that on the one hand, this study has developed the existing knowledge base through the identification of new dimensions that depict corporate governance in China. Therefore, this comparison provides substantial support to the conclusions that have been made in the present study and determine the research areas where the present study contributes to extending the knowledge on the effects of governance in different ways.

## CONCLUSION

In conclusion, the research has considered the role of Independent Directors with financial expertise in the governance of Chinese listed firms. The results justified in this

paper also support the hypothesis that the attributes of independent directors with financial experience make a positive contribution to the quality of corporate governance and the performance of the firms. In particular, it is established that the firms with such directors provide more efficient board monitoring, improve the audit committee's performance, and enhance the protection of shareholders' rights, which is shown by the higher scores on the governance index. Furthermore, this research established a positive relationship between the presence of financially expert directors and firm returns, including return on assets (ROA), and Tobin's Q which indicated that financially expert directors enhance the profitability of firms and their market valuation. However, it was established that these directors' performances were associated with the level of ownership concentration and political relationships. Among the politically connected firms or firms with large block holders, the positive effect of independent directors with financial expertise on governance and performance was lower or became negative. These results suggest that, despite a positive signal associative with financial expertise on the board, there are essential moderators in terms of the extant system of corporate governance and Chinese context peculiarity. The work illustrated in this study also brings out the following suggestions for future research. Subsequent research can employ archival data to explore whether and to what extent the disciplines that independent directors are financially expert are relevant to the fluctuations and patterns in firm performance and governance in subsequent years. In addition, analysing the role of these directors within different sectors or types of ownership might also be more rewarding because the performance level may vary depending on various circumstances. Future studies might also look at the impact of other types of expertise like legal or technological among the independent directors in improving understanding of the role of board composition on corporate governance impacts on emergent markets.

## RECOMMENDATIONS

When examining the place of financial knowledge among the independent directors serving on Chinese boards, the research findings outlined in this study offer several valuable insights into the Chinese corporate governance system. These implications can aid the intended targets of policymakers, regulators, and the management of firms in enhancing governance systems inside organisations and enhancing the performance of organisations.

### Promoting Financial Expertise on Boards

The study provides evidence regarding the appropriateness of having independent directors who have financial expertise in corporate boards. Such a positive relationship between financial expertise and the increase in the level of governance indicates that there should be more focus on qualifying directors with extensive financial knowledge. This emphasis on financial expertise can enhance board oversight, improve audit committee performance, and ensure better protection of shareholder rights (Chen et al.,

2009). Perhaps policymakers and regulators should consider using guidelines or rules that would either encourage or require corporations to nominate directors who are financially literate to boards as a way of enhancing the general aspect of corporate governance.

### **Addressing Ownership Concentration**

The tempering of the link between ownership concentration and the moderation of the influence of financially expert independent directors highlights a significant governance concern. Nonetheless, in situations where the ownership is concentrated and the controlling shareholder has much influence, financial expertise may be offset or eliminated. To address this problem, reforms have to be directed towards the decentralisation of ownership rights and moving away from concentrated ownership structures. This may require a shift in the type of regulation to reduce the extent of domination over firms or encourage a balanced structure of ownership. Thus, by increasing the board's independence and effectiveness, companies can enhance the role of financially sophisticated directors in governance and performance.

### **Navigating Political Connections**

This finding that politically connected managers can attenuate the positive effects of financially expert IDS is very damaging to the GH hypothesis for the interaction between corporate governance and political factors. The authors also noted that in a scenario where the companies are affiliated with strong political players, they can develop some governance problems even with financially suited directors. To solve these problems, it becomes necessary to make the relations between business and politics more transparent and responsible. The changes in the policies should ensure that political relationships have little influence on the boards while encouraging independent governance measures that are inclined towards improving performance rather than political connections. Shedding more light on aspects of disclosures particularly, the political connections and the impacts on governance could equally assist in establishing more transparency and effectiveness in the business world.

### **Strengthening Governance Reforms**

From the results of the study, it was evident that the argument of appointing directors with financial experience is not sufficient in improving the aspects of governance and performance of organizations. When analysing the issue of corporate governance, it is crucial to indicate the factors that contribute to the independence of independent directors. This includes raising the bar on director independence, and boards' diversity, and strengthening accountability and transparency standards within the firms. In particular, they should take into account the policies that are conducive to achieving these aims, such as the one requiring directors on the independent side to be trained, the

reporting tools that may be used to evaluate the performance of the boards as well as the protective measures that can be applied to minimize the impact on the independent directors.

### Encouraging Continuous Improvement

Finally, the study makes some recommendations to stress the significance of the ongoing evaluation and enhancement of corporate governance frameworks. As a result of these dynamics, firms need to review and adapt their governance structures due to the shifting regulatory environment and business conditions. This is achieved by a regular review of the performance of the independent directors, an analysis of the influence of financial experience on governance and performance and new literature and innovation in the area of corporate governance. By positive organizational change, firms can be in a better place to apply the required change to the current structures of governance to adapt to the changes.

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