



# Financial Effects of Private Vs. Government Stock Ownership: Evidence from Literature of Listed Chinese Companies

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We collect evidence from the literature of listed Chinese companies about private vs. government stock ownership in seven financial areas. Based on a total of 106 financial effects examined, our study categorizes 39% as positive effects of private ownership, 25% as negative effects of private ownership, and 36% as mixed or ambiguous. Thus, private ownership seems to have an advantage over government ownership, but privatization per se in China seems not an absolute guarantee for effective corporate financial management.

**Keywords:** financial effects, government stock ownership, listed Chinese companies, private stock ownership

## INTRODUCTION

The Chinese stock markets, namely the Shanghai and Shenzhen Stock Exchanges, were established in the early 1990s. At first only a few hundreds of companies were listed and traded on the exchanges, most of which evolved from the traditional State Owned Enterprises (SOEs). Since then, due to China's market-oriented economic reforms, many enterprises previously owned entirely by the state have gone through initial public offerings (IPOs) and become publicly traded. Today, there are more than 2,000 listed companies in China.<sup>1</sup> Their stockholders largely consist of the state, the legal persons, and the individuals, highlighting a unique ownership type—partially privatized ownership. As a matter of fact, the partial privatization in China has given rise to the coexistence of both government and private ownership in a listed company, where the government ownership refers to the state and legal person stock shares, and the private ownership refers to the individual stock shares (domestic and foreign).

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