

The Impact of Bank Loan on Executive Perquisites under the Background of Post-Split-Share Reform

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Abstract

Executive Perquisites are agency cost and harm the interests of shareholders. After the split share reform, the first largest shareholder has decreasing his shares and the problem of executives' expropriation has been more prominent. This paper uses the data of Chinese listed firms during 2006 to 2017 and investigates the corporate governance effect of bank loan on executive perquisites. The results show that bank loan can constraint the executive perquisites which have corporate governance effects; the corporate governance effect of bank loan has more prominent in Non-SOEs than in SOEs; and the corporate governance effect of bank loan has more prominent in the listed firm with higher proportion of share of the first largest shareholder. So the conclusions provide empirical evidence not only for the discussion of commercial bank reform but also for the corporate governance reform of Chinese listed firms under the financial systems of main bank financing.

Keywords

Executive Perquisites, Bank Loan, Split-Share Reform

1. Introduction

On May 9, 2005, China Securities Regulatory Commission launched the split share reform. Finally, at the end of 2006, there were 1301 listed companies in the Shanghai and Shenzhen Stock Exchanges that had completed or entered the reform process, accounting for 97% of the reformed listed companies. The split share reform tasks were basically completed. The essence of the share reform is to give the small and medium-sized tradable shares a premium in the form of consideration and the controlling shareholders to gradually ban the non-tradable shares

in accordance with the agreement to achieve full circulation. China's stock market enters post-split-share reform. Therefore, the two types of principal-agent problems of listed companies in China were dominated by the second type of principal-agent problem between major shareholders and minority shareholders. Now there is a second type of principal-agent problem between major shareholders and minority shareholders and the first type of principal-agent problem between shareholders and managers. Therefore, this paper selects managers' executive perquisites as the research object, discusses the first type of principal-agent problem between traditional shareholders and managers, and examines the corporate governance effects of bank loan on such principal-agent problems.

The executive perquisites are the monetary benefit of managers in the performance of their duties, including the enjoyment of luxury offices, possession of special planes or special vehicles, and catering and entertainment consumption. It harms the interests of shareholders and constitutes the first type of agency cost for managers. Focusing on how to reduce this type of principal-agent problem, domestic and foreign scholars carried out research [1]-[6]. However, these research results are mainly based on the developed markets of the United Kingdom and the United States. The research on the executive perquisites of managers in China is mainly based on the experience of developed markets from the perspective of ownership structure and manager incentives. Considering China's special financial system with bank financing as the main body, this paper chooses bank loan as the corporate governance effect of creditor's rights, and studies its impact on managers' executive perquisites.

As a professional financial institution, banks have the advantage of solving the information asymmetry and moral hazard. They supervise the funds and management of the borrowing enterprises before, during and after the borrowing. However, the State-owned attribute of Chinese banks, through the market-oriented reform such as listing, whether it can give play to the corporate governance effect, there is a great deal of controversy. Cerqueiro *et al.* [7] and Lin *et al.* [8] use Swedish and US data to find that banks have a supervisory role on borrowing companies. Bailey *et al.* [9], Qian and Yeung [10] used data from Chinese listed companies and found that China's bank loan did not play a supervisory role for listed companies, even lowering the level of supervision of the entire financial market, including the equity market. However, the authors found that these research papers were mainly used during the data sample period, 1999-2004, 1995-2009, 2007-2008, and 2003-2014. This may not take into account the achievements of the market-oriented reform of China's commercial banks. Therefore, this paper examines whether the bank loan of listed companies in China has a restraining effect on the manager's executive perquisites, and there have two contributions. First, this paper expands the research on the literature related to executive perquisites. Previous studies have focused on the discussion of the economic consequences of executive perquisites and the reduction of executive perquisites from the perspective of equity and manager incentives. According to the author's inquiry, there is no discussion of manager's executive

perquisites from the perspective of creditor's rights. This paper empirically tests the influence of bank loan on executive perquisites, which is a supplement to the literature research on executive perquisites. Second, it expands the related literature research on the agency cost of listed companies in China under the background of post-share split reform. Domestic and foreign scholars are very concerned about China's split share reform, which is China's unique institutional background. However, the principal-agent problem between the controlling shareholders and the small and medium shareholders in the governance of listed companies in China was generally existed before. After the split share reform, now it becomes a principal-agent problem between the controlling shareholder and the minority shareholders and the principal-agent problem between shareholders and managers. According to the author's inquiry, the former scholars lack to consider the influence of the gradual dilution of the controlling shareholder's equity. In this paper, the change of shareholding of controlling shareholders highlights the problem of principal-agent relationship between shareholders and managers, examines the difference in the proportion of shareholdings of controlling shareholders and the impact of bank loan on managers' on executive perquisites.

2. Institutional Background

China is a country with a transitional economy and has special institutional characteristics. It is significantly different from other developed countries in terms of marketization, ownership of financial institutions, degree of government regulation, and characteristics of financial systems. China is a financial system dominated by indirect financing of banks, and the corporate bond market has not yet developed. However, until China joined the WTO, China's commercial banks showed the characteristics of regional division, business division, and serious government administrative intervention. After joining the WTO in 2001, China's commercial banks have a five-year protection period. After 2006, China's banking industry needs to be fully open to foreign banks. In order to meet the needs of the WTO competition rules, China's commercial banks have accelerated the pace of reform. The Commercial Bank Management Law promulgated in 1995 requires commercial banks to strengthen credit risk management and gradually reduce bank loan issued to state-owned enterprises by government administrative orders. This law has achieved obvious results after implementation [11]. In addition to enacting laws, China has also adopted state-owned banks to inject capital, set up special regulatory agencies, implement new accounting standards, and reduce state-owned shares and other reform measures. Central Huijin Investment Co., Ltd., established in 2003, injects foreign exchange reserves into the four major state-owned commercial banks. In October 2003, it injected US\$22.5 billion into the Bank of China. In December 2003, it injected US\$20 billion into China Construction Bank. In April 2005, it injected RMB 15 billion into the Industrial and Commercial Bank of China. In November 2008, it injected 19 billion yuan into the Agricultural Bank of China. On

April 25, 2003, the China Banking Regulatory Commission was established. It is a ministerial-level unit directly under the State Council. According to the authorization of the State Council, the Bank supervises and manages banks, financial asset management companies, trust and investment companies and other deposit-type financial institutions to maintain the legal and stable operation of the banking industry, so as to strengthen supervision and construction and enhance the development level of the industry. The new accounting standards were officially implemented on January 1, 2007, and the new accounting standards remain consistent with the definition of international accounting standards. It not only brings significant changes to the bank's accounting, but also enhances the risk control, information disclosure, information systems and corporate governance of commercial banks. It allows foreign strategic investors or banking services companies to hold a small number of state-owned shares to get their help in capital, technology and management. For example, in 2005, Bank of America and Temasek Holdings invested US\$3 billion and US\$2.5 billion respectively, holding 9% and 6% of China Construction Bank. In particular, China's commercial banks have listed and traded in the Hong Kong stock market and the mainland A-share market respectively, reducing the proportion of state-owned shares and becoming a public company. China Construction Bank listed on the Hong Kong Stock Exchange on October 27, 2005 and returned to A shares on September 25, 2007. On June 1 and July 5, 2006, Bank of China Co., Ltd. successfully listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange. On October 28, 2006, Industrial and Commercial Bank of China was listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange. On July 15 and 16, 2010, Agricultural Bank of China was listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange. **Table 1** is the date of A-share listing of various commercial banks in China before the data deadline. Chang *et al.* (2014), Hsiao *et al.* (2015), Qian *et al.* (2015) and Dong *et al.* (2016) study Chinese banking reforms from cost and profitability, bank loan scores, Loan officer and credit manager loan accountability and the ease with which state-owned

Table 1. The listed dates of banks in China.

BANK NAME	Ping An Bank	Shanghai Pudong Development Bank	Minsheng Bank	China Merchants Bank	HSBC Bank	Bank of China	
Date of listing	1991/4/3	1999/11/10	2000/12/19	2002/4/9	2003/9/12	2006/7/5	
BANK NAME	ICBC	Industrial Bank	CITIC Bank	Bank of Communications	Bank of Nanjing	Bank of Ningbo	
Date of listing	2006/10/27	2007/2/5	2007/4/27	2007/5/15	2007/7/19	2007/7/19	
BANK NAME	Bank of Beijing	China Construction Bank	Agricultural Bank of China	Everbright Bank	Bank of Jiangsu	Guiyang Bank	
Date of listing	2007/9/19	2007/9/25	2010/7/15	2010/8/18	2016/8/2	2016/8/16	
BANK NAME	Wuxi Bank	Jiangyin Bank	Changshu Bank	Hangzhou Bank	Bank of Shanghai	Wujiang Bank	Zhangjiagang Bank
Date of listing	2016/9/23	2016/9/2	2016/9/30	2016/10/27	2016/11/16	2016/11/29	2017/1/24

property rights can obtain bank loan. They believe that the market-oriented reform of China's banking industry has achieved remarkable success [12] [13] [14] [15].

The split share is formed when China sets up the securities market. In order to attract investors to participate in stock trading, the listed major shareholders are mainly state-owned major shareholders, who promised that their shares are not in circulation. This stabilizes the investment confidence of small and medium-sized investors. However, with the development of the securities market, the drawbacks caused by the inability of major shareholder shares to flow are obvious. The main manifestation is that the major shareholder does not care about the value of the enterprise and even directly encroaches on the company's interests. In order to solve the problem of split shareholding and maintain the long-term development of the stock market, China's previous split share reforms did not solve the problem of the consideration of tradable shares and non-tradable shares, all of which ended in failure. In the 2005 split share reform plan of CSRC, the consideration between tradable shares and non-tradable shares was negotiated and agreed by the tradable shareholders of the listed companies and the non-tradable shareholders of the listed companies, which greatly protected the interests of the minority shareholders. By the end of 2006, most listed companies have implemented the split share reform. However, after the implementation of the split share reform, non-tradable shares of major shareholders holding more than 5% of the shares shall not exceed 5% of shares within 12 months and shall not exceed 10% of shares within 24 months. There are still quite a few shares of major shareholders in the lock-up period, which is often referred to as post-split-share reform. In the process of continuous circulation of major shareholder shares, on the one hand, the interests of major shareholders and minority shareholders are more consistent, reducing the agency cost of principal-principal between major and minority shareholders. On the other hand, the majority shareholder's shares are converted from non-tradable shares to tradable shares, usually accompanied by a continuous decline in the shareholding ratio of major shareholders, which is conducive to large shareholders to diversify their investment risks. **Figure 1** shows the trend of the largest shareholder's share with the different period, and we can the mean, median, p25 or p75 are all decline over time which means that the decrease of the controlling shareholder's shares, so the controlling shareholder's supervision of the manager is reduced, and the principal-agent cost is more prominent.

3. Literature Review and Research Hypothesis

As Jensen and Meckling [16] pointed out, when banks act as external entities to supervise borrowing companies, agency costs are reduced. Banks will manage the value of borrowing companies not only when they have defaulted. They will take advantage of their professional advantages, various information resources and management methods to implement supervision, or adjust bank loan terms and actively participate in corporate governance activities of enterprises [17].

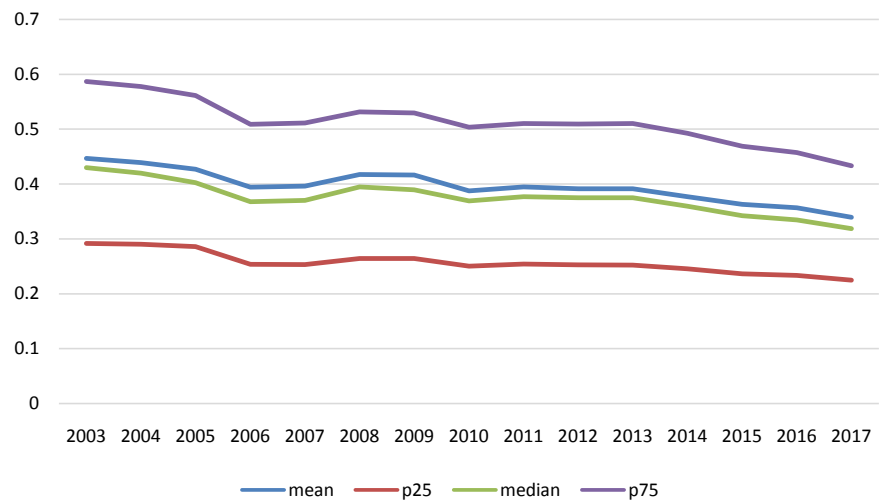


Figure 1. The trend of the largest shareholder's shareholding ratio over the years.

Cerqueiro *et al.* [7] and Lin *et al.* [8] obtained empirical support by using mature market data. For example, Cerqueiro *et al.* [7] used Swedish specific data to find that the design of bank loan collateral clauses supervised borrowers; Lin *et al.* [12] used US data to find that loan banks need a larger loan spread, higher loan fees, shorter loan terms, smaller loans Scale, more stringent loan agreements and more loan terms when there is greater control gains for borrowers.

In China's capital market, there are widespread problems such as weak legal system, not strict market management and untimely information disclosure, which may affect the efficiency between Chinese banks and borrowing enterprises. The normal situation is that banks can punish borrowers with poor corporate governance by raising financing costs. However, due to the state-owned nature of Chinese banks, when corporate bankruptcy is interfered by local governments, it is possible that there is no correlation between the bank loan cost and the corporate governance quality of borrowing enterprises. Therefore, Bailey *et al.* (2011), Qian and Yeung (2015) and Yang Jiwei (2012) and Hua Middle East (2017) found that China's bank loan can not play a corporate governance role [9]-[16]. For example, Bailey *et al.* [13] found that the event announcement effect of Chinese listed companies was significantly negative when they obtained bank loans, which means that companies with bank loans have worse performance in the future; Qian and Yeung [14] found that the listed companies with controlling shareholders' high benefit expropriation continue to acquire new bank loan.

Jensen and Meckling [22] argue that executive perquisites are agency costs that undermine corporate value [18]. In the United States, the market reaction to declare or disclose executive perquisites is negative [1] [2] [3]. Luo *et al.* [5] used data from Chinese listed companies to show that executive perquisites are 10% more expensive in bank holding companies. After controlling factors such as the size of the company, the size of the board of directors, and the shareholding of the management, the listed companies with bank holdings have higher executive

perquisites. Moreover, the ROA of the company with high executive perquisites is lower. The authors use the statistical analysis of this paper to obtain that the listed companies with high bank loan have lower executive perquisites than the listed companies with lower bank loan, and the listed companies with higher executive perquisites have lower financial performance, and the executive perquisites are reflected in agency costs¹.

As mentioned in the research background, China's commercial banks have started market-oriented reforms since 2002. The market-oriented reform implements the responsibility system for loan officers and loan managers, and adopts the method of expert scoring system. The loan review system is continuously improved. For more than a decade, commercial banks have made great achievements. These achievements include the continuous decline in the non-performing loan ratio of commercial banks, the continuous enrichment of bank capital, the continuous expansion of asset scale and the continuous improvement of profitability. At the same time, China's capital market has been continuously improved, especially the share-trading reform initiated at the end of 2005. The non-tradable shares of major shareholders have gradually turned into tradable shares, and the interests of major shareholders of listed companies are consistent with the value of listed companies. Thus, the combination of the reform of China's banking system and the improvement of the capital market has changed the role of bank loan in China in corporate governance. Therefore, this paper believes that China's commercial banks have gradually formed an independent shareholder corporate governance mechanism, aiming at maximizing profits, gradually getting rid of the government's administrative intervention, and playing a market role in loan decision-making. And after the loan is issued, the bank has incentives to spend resources and costs to investigate and supervise the borrowing enterprise. The bank will take various measures to stop the damage to the company's value, especially the increase of loan default.

Jensen's [19] free cash flow hypothesis argues that debt financing is a hard constraint that can reduce the manager's free volume ruling and constrain the manager's interest encroachment behavior. As a professional financial institution, the bank can avoid the problem of "free rider", supervise managers in a market-oriented system, restrain the interests of managers from benefit expropriation, and reduce the executive perquisites of business managers. Therefore, the first research hypothesis of this paper is proposed:

Research hypothesis H₁: Bank loan reduces the executive perquisites of enterprises.

According to Lin *et al.* [20] and Lin and Tan [21], China's state-owned enter-

¹According to the executive perquisites indicators Perks1 and Perks2, the high and low two subsamples are divided. In the two subsamples, there is a significant difference in the average of ROA. Among the two subsamples of Perks1, the average ROA of the subsamples with high executive perquisites was 3.64%, which was significantly lower than the average of the low executive perquisites subsamples' ROA, 4.10%. In the two subsamples of Perks2, the average ROA of the subsamples with high executive perquisites was 3.48%, which was significantly lower than the average ROA of the low executive perquisites subsamples, 4.25%.

prises not only bear social burdens such as social employment and social stability, but also undertake the strategic burden of economic transformation. Therefore, state-owned enterprises have soft budget constraints. Lin Yifu and others proposed the concept of the viability of state-owned enterprises. They believed that only by stripping these two kinds of burdens would it be possible to solve the soft budget constraints of state-owned enterprises in China, and state-owned enterprises could become real competitors in the market. China's state-owned enterprises have started market-oriented reforms since the mid-1980s, but so far these two types of burdens, especially the strategic burden, have not yet been completed, and bank loan is difficult to play a supervisory role under the soft budget constraints of state-owned enterprises. On the contrary, non-state-owned enterprises are the participants of market competition. Under the background of market-oriented reform of commercial banks in China, they do not have the problem of soft budget constraints. They must obtain bank loans through their own advantages. Bank loan plays a supervisory role among non-state-owned enterprises. Therefore, the second research hypothesis of this paper is proposed:

Research hypothesis H₂: Compared with state-owned enterprises, bank loan has a more significant inhibitory effect on the executive perquisites of non-state-owned enterprises.

After China's split-share reform, the non-tradable shares of the original major shareholders gradually turned into tradable shares, and the major shareholders gradually reduced the number of shares they held to disperse their own risks. At this time, the interests of the major shareholders and the interests of the company gradually become consistent, and with the decrease in the number of shares of the controlling shareholder, the incentives for the supervision of listed company managers are reduced, and the agency cost of managers has gradually become prominent. Therefore, the supervision effect of bank loan on the manager's executive perquisites is more obvious. Therefore, the third research hypothesis of this paper is proposed:

Research hypothesis H₃: Compared with listed companies with high shareholding ratio of controlling shareholders, the bank loan of listed companies with low shareholding ratio of controlling shareholders has more obvious restraining effect on executive perquisites.

To get the empirical results, we do OLS regression which controls the year effect and industry effect to empirically test the impact of bank loan on executive perquisites, and further consider the impacts of different property rights and the proportion of the first largest shareholder holding and divide two sub-samples to test. Finally, we do a robustness test. Z-score is used as instrumental variable to deal with the endogeneity problems; considering the impact of liability and equity balance.

4. Research Design

4.1. Data Sources

We consider the Background of Post-Split-Share Reform, selecting the period of

2006-2017 as sample. The sample companies are non-financial listed companies. All the data are from the Rasset database. Rasset database is popular China database which include stock trade data, financial data of listed firms, China's macro data and so on, and also it have prevalent be used in scholars who are interested in studying China's problems. And the data of executive perquisites comes from the profit distribution table processing manually. Metric Perks1 of the dependent variable executive perquisites is about 29,135 samples, metric Perks2 is about 21,448 samples; Loan is the independent variable of bank loan and there are 16,813 samples; the number of samples of the intermediary variable SOE is 31,800 and the shareholding ratio of the first largest shareholder Frist, sample size is 33032. Combine Size (the control variable of company size), Debt (the debt level), the ROE, Growth (the company growth rate) Cash (the free cash flow), First (the first largest shareholder shareholding) and CEOsh (the management shareholding ratio), all those variables are up to 27,305 samples. And after merging all the variables, the number of samples in the Perks1 group was 18,794, and the number of samples in the Perks2 group was 13,604.

4.2. Variables

1) Dependent variable

Executive perquisites is measured by two methods: indirect method and direct method: define executive perquisites as deducting management expenses, total management compensation, bad debt provision and amortization of intangible assets; define that executive perquisites is a possible item in the "other cash related to operating activities" item in the notes to the company's annual report. The sum of the eight types of expense items related to executive perquisites of executives: office expenses, travel expenses, business hospitality, communication fees, training abroad, board fees, car fares and conference fees [6]. Executive perquisites Perks1 is defined that the executive perquisites is divided by operating income; executive perquisites Perks2 is based on the executive perquisites defined by Zhang *et al.* [6], which is divided by operating income.

2) Independent variable

Bank loan is measured by according to the short-term and long-term borrowings in the balance sheet:

Define Loan = (short-term borrowings + long-term borrowings) ÷ total assets.

3) Mediator variable

This paper deals with two mediation variables: the property rights nature of SOE and the first largest shareholder holding ratio First. The nature of property rights SOE is defined according to the nature of the actual controller of the listed firms. If the actual controller is a state-owned enterprise, then SOE = 1; otherwise SOE = 0. The first largest shareholder's shareholding ratio First is defined as the number of shares held by the largest shareholder divided by the total number of shares issued by the listed firms.

4) Control variable

Size (Company size) is defined as the natural logarithm of total assets. Debt is defined as total liabilities divided by total assets. ROE is defined as net profit divided by net assets. Growth (Company growth rate) is defined as current operating income ÷ last period operating income – 1, Cash (free cash flow) is defined as operating net cash flow divided by operating income. First (the first largest shareholder's shareholding ratio) is defined as the number of shares held by the largest shareholder divided by the total number of shares issued by the listed firms. CEOsh (the share ratio) is defined as the number of shares held by the management.

4.3. Model

First, the following empirical model is proposed to examine the impact of bank loan on executive perquisites:

$$\text{Perks}_{i,t} = \alpha_0 + \beta_1 \times \text{Loan}_{i,t} + \gamma \times X_{i,t} + \sum \text{Year} + \sum \text{Industry} + \varepsilon_{i,t} \quad (4-1)$$

Perks is executive perquisites, Loan is bank loan, X is the control variable, Year is the annual dummy variable, and Industry is the industry dummy variable. If the regression coefficient is significantly negative, then the study hypothesis H_1 is empirically supported.

Secondly, to examine the impact of the nature of property rights on the relationship between bank loan and executive perquisites, we can use the sub-sample of state-owned enterprises and the sub-sample of non-state-owned enterprises to use the empirical model (4-1) for measurement analysis and the following empirical model of intersection:

$$\begin{aligned} \text{Perks}_{i,t} = & \alpha_0 + \beta_1 \times \text{Loan}_{i,t} + \beta_2 \times \text{SOE}_{i,t} + \beta_3 \times \text{Loan}_{i,t} \times \text{SOE}_{i,t} \\ & + \gamma \times X_{i,t} + \sum \text{Year} + \sum \text{Industry} + \varepsilon_{i,t} \end{aligned} \quad (4-2)$$

Perks is executive perquisites, Loan is bank loan, SOE is a property-based dummy variable, X is a control variable, Year is an annual dummy variable, and Industry is an industry dummy variable. If the empirical model (4-1) is used to measure the sub-samples of state-owned enterprises and sub-samples of non-state-owned enterprises, the regression coefficient is not significantly negative in the sub-samples of state-owned enterprises and the regression coefficient is negative in the sub-samples of non-state-owned enterprises. Hypothesis H_2 is empirically supported; or that the regression coefficients in the sub-samples of state-owned enterprises and sub-samples of non-state-owned enterprises are significantly different. There is a significant difference between the Chow Test and the absolute value of the regression coefficient of the sub-samples of non-state-owned enterprises, then the research hypothesis H_2 is empirically supported. If the empirical model (4-2) measurement test is used, the regression coefficient is significantly positive, then the research hypothesis H_2 is empirically supported.

Finally, to examine the impact of bank loan on executive perquisites in the context of Post-split-Share, we can use the first-large shareholder shareholding

ratio and the first-largest shareholder shareholding ratio to be used in the empirical model (4-1). Analyze and use the following empirical model of the intersection:

$$\text{Perks}_{i,t} = \alpha_0 + \beta_1 \times \text{Loan}_{i,t} + \beta_2 \times \text{First}_{i,t} + \beta_3 \times \text{Loan}_{i,t} \times \text{First}_{i,t} + \gamma \times X_{i,t} + \sum \text{Year} + \sum \text{Industry} + \varepsilon_{i,t} \quad (4-3)$$

Perks is executive perquisites, Loan is bank loan, First is the shareholding ratio of the largest shareholder, X is the control variable, Year is the annual dummy variable, and Industry is the industry dummy variable. If the empirical model (4-1) is used to measure the highest shareholding ratio of the largest shareholder and the low share sample of the largest shareholder, the regression coefficient is not significant in the high share sample of the largest shareholder. Negative and the regression coefficient in the low sample of the largest shareholder is significantly negative, then the research hypothesis H_3 is empirically supported; or the regression coefficients in the sub-samples of state-owned enterprises and non-state-owned enterprises are significant burdens. The Chow Test is significantly different. The absolute value of the regression coefficient of the sub-samples of non-state-owned enterprises is larger. Then the research hypothesis H_3 is empirically supported. If the empirical model (4-3) is used to test the regression coefficient is significantly positive, then the research hypothesis H_3 is empirically supported.

5. Empirical Test and Results

5.1. Statistical Description of Variables

Table 2 describes the statistical characteristics of the main variables. In **Table 2**,

Table 2. Statistical description of variables.

stats	Perks1	Perks2	Loan	Size	Debt	Roe
mean	0.0932	0.0183	0.2213	22.0423	0.5475	0.0500
p25	0.0391	0.0046	0.0825	21.1190	0.3472	0.0283
p50	0.0672	0.0097	0.1784	21.8788	0.4959	0.0738
p75	0.1026	0.0196	0.2862	22.7937	0.6394	0.1271
sd	0.5855	0.0778	3.3583	1.3027	7.3897	0.8321
N	18794	13064	18794	18794	18794	18794
stats	Growth	Cash	First	CEOsh	SOE	
mean	0.4280	0.0387	0.3591	0.0596	0.4811	
p25	-0.0214	0.0001	0.2379	0	0	
p50	0.1169	0.0384	0.3384	0	0	
p75	0.2843	0.0815	0.4648	0.0131	1	
sd	16.7190	0.0794	0.1546	0.1340	0.4997	
N	18794	18794	18794	18794	18794	

the mean and median of in-service Perks1 were 9.32% and 6.72%. The mean and median consumption of Perks2 were 1.83% and 0.46%, slightly lower than the average median Perks2 statistics of 1.945% and median 0.977% [9] of Zhang *et al.* (2015); the mean of bank loan Loan and The median was 22.13% and 17.84%.

Table 3 is the Pearson correlation coefficient between variables. It can be seen from **Table 3** that the absolute value of the correlation coefficient of each variable is less than 0.5, and there is no significant multicollinearity; the correlation coefficient between the executive perquisites Perks1 and Perks2 and the bank loan Loan is significantly negative, in other words the higher the bank loan of the listed firms, the lower the managerial consumption on In-service.

5.2. Basic Regression Results between Bank Loan and Executive Perquisites

Table 4 shows the results of the regression of the full sample data into the empirical model (4-1). As can be seen from **Table 4**, the regression coefficients of bank loan Loan in Perks1 and Perks2 are both negative, and in Perks1 Loan's regression coefficient passes the 5% significance level test and in Perks2 Loan's regression coefficient passes 1% Significant level test, so regardless of the executive perquisites of Perks1 and Perks2, bank loan significantly reduced the level of executive perquisites of listed firms managers, showing corporate governance effects. That is assumes that H1 is supported by empirical results.

5.3. The Influence of Property Rights

Table 5 considers the different effects of bank loan and executive perquisites of listed companies with different property rights. As can be seen from **Table 5**, in the Perks1 column of executive perquisites, the regression coefficient of bank loan Loan in state-owned listed companies is -0.2446 . It didn't pass the significance test. The regression coefficient of non-state-owned listed company bank loan Loan is -0.1093 , and the significance level is 1%. This indicates that the bank loan of state-owned listed companies has no significant impact to reduce

Table 3. Pearson correlation coefficient between variables.

	perks1	perks2	loan	asset	debt	roe	Growth	cash	first	CEOsh
Loan	-0.0608**	-0.0572***								
asset	-0.067***	-0.1054***	-0.0466***							
debt	0.0617***	-0.0635***	0.9995***	-0.0442***						
roe	-0.0453***	-0.003	-0.3533***	0.0563***	-0.3532***					
Growth	-0.0009	-0.001	-0.0006	-0.0138	-0.0004	0.0057				
Cash	-0.033***	-0.0547***	0.001	0.0235***	0.0032	0.0363***	0.0043			
First	-0.0366***	-0.0618***	-0.0075	0.2258***	-0.0069	0.0376***	0.0006	0.063***		
CEOsh	-0.0006	0.0322***	-0.0093	-0.2174***	-0.0100	0.0239***	-0.0037	-0.0558***	-0.0243***	
SOE	-0.0127*	-0.0736***	-0.0005	0.2869***	-0.0001	-0.005	-0.0151**	0.0692***	0.1994***	-0.4185***

Table 4. Empirical results of the impact of bank loan on executive perquisites.

	Perks1		Perks2	
	Coef.	t	Coef.	t
_cons	0.8747***	5.68	0.1613***	6.28
Loan	-0.1812**	-1.96	-0.0194***	-3.93
Size	-0.0305***	-4.42	-0.0054***	-4.29
Debt	0.0863***	2.07	-0.0026	-0.45
Roe	-0.0150	-1.55	0.0000	-0.24
Growth	-0.0001	-1.08	-0.0001	-0.94
Cash	-0.2497***	-3.13	-0.0508**	-2.27
First	-0.0810***	-5.07	-0.0212***	-8.41
CEOsh	-0.0798***	-3.39	0.0001	0.04
Year Fixed Effect	Yes		Yes	
Industry Fixed Effect	Yes		Yes	
F	471.15		44.31	
Prob > F	0.000		0.000	
R ²	0.0184		0.0217	
Obs	18794		13064	

Note: *, ** and *** indicate passing tests at 10%, 5% and 1% significance levels, respectively.

Table 5. The empirical result of the nature of property rights on the relationship between bank loan and executive perquisites.

	Perks1			Perks2		
	State-owned	Non-state-owned	Full sample	State-owned	Non-state-owned	Full sample
_cons	0.8632** (2.10)	0.9373*** (15.91)	0.9162*** (4.82)	0.1053*** (8.74)	0.2280*** (4.49)	0.1594*** (6.49)
Loan	-0.2446 (-1.40)	-0.1093*** (-3.48)	-0.2453* (-1.70)	-0.0091* (-1.79)	-0.0324*** (-3.48)	-0.0312*** (-5.29)
SOE			-0.0103 (-1.18)			-0.0087*** (-6.66)
Loan*SOE			0.1107** (1.99)			0.0191*** (3.22)
Size	-0.0370* (-1.79)	-0.0355*** (-11.43)	-0.0330*** (-3.59)	-0.0027*** (-6.25)	-0.0087*** (-3.05)	-0.0051*** (-4.33)
Debt	0.2806 (1.10)	0.0540*** (3.79)	0.1155 (1.77)	-0.0021 (-0.57)	0.0047 (0.42)	0.0006 (0.01)
Roe	-0.0341 (-1.22)	-0.0058 (-1.54)	-0.0143 (-1.57)	-0.0001 (-0.21)	0.0001 (0.50)	0.0000 (-0.13)
Growth	-0.0140 (-0.96)	-0.0000 (-0.83)	-0.0001 (-1.08)	0.0008 (0.59)	-0.0002 (-1.43)	-0.0001 (-0.97)
Cash	-0.2957** (-2.06)	-0.2030*** (-3.90)	-0.2453*** (-3.20)	-0.0197*** (-3.07)	-0.0715** (-2.03)	-0.0513** (-2.31)
First	-0.0771** (-2.13)	-0.1042*** (-9.47)	-0.0823*** (-4.55)	-0.0120*** (-4.90)	-0.0288*** (-5.36)	-0.0189*** (-8.23)

Continued

CEOsh	-0.2944 (-1.27)	-0.0634*** (-6.03)	-0.0662*** (-5.44)	0.0304* (1.92)	-0.0063* (-1.94)	-0.0060* (-1.67)
Year Fixed Effect	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effect	Yes	Yes	Yes	Yes	Yes	Yes
F	15.73	43642.13	1003.96	19.91	.	44.09
Prob> F	0.0000	0.0000	0.0000	0.0000	.	0.0000
R ²	0.0189	0.1112	0.0186	0.0792	0.0199	0.0227
Obs	9042	9752	18,794	5515	7549	13,064

Note: The regression result brackets are t values; *, ** and *** indicate that coefficients passed the test under the 10%, 5% and 1% significance levels respectively.

executive perquisites, but the bank loan of non-state-owned listed companies can be significant. In addition, the regression coefficient of the intersection term Loan*SOE in the full sample data is 0.1107, and the significance level is 5%. That means, compared with state-owned enterprises, the impact of non-state-owned bank loan Loan on executive perquisites the Perks1 is more significant. In the Perks2 column of executive perquisites, the regression coefficient of bank loan Loan in state-owned listed companies is -0.0091, the significance level is 10%, and the regression coefficient of non-state-owned listed company bank loan Loan is -0.0324, the significance level is 1%. Additionally, there is a significant difference in the regression coefficient of bank loan Loan between state-owned and non-state-owned listed companies. Chow Test = 34.56, corresponding p value is 0.000. In addition, the regression coefficient of the intersection term Loan*SOE in the full sample data is 0.0191, and the significance level is 1%. That means, compared with the state-owned enterprises, the non-state-owned bank loan Loan has a more significant impact on the executive perquisites Perks1. Therefore, this empirical result shows that bank loan has no significant corporate governance effect in state-owned enterprises, and has significant corporate governance effects in non-state-owned enterprises. This is related to the soft budget constraints of state-owned enterprises proposed by Lin. and others. State-owned enterprises and banks are state-owned, while state-owned enterprises have a strategic burden of solving social burdens such as employment and industrial restructuring. State-owned enterprises have soft budget constraints, and corporate governance effects of state-owned enterprises are not significant. That means H₂ is established. Therefore, the reform of China's commercial banks needs to be deepened, reducing government administrative intervention and increasing the independent status of participating in market economic activities.

5.4. The Influence of the Shareholding Ratio of the Largest Shareholder

Table 6 considers the impact of the shareholding ratio of the largest shareholder

Table 6. The empirical result of the influence of different shareholding ratios of the largest shareholder on the relationship between bank loan and executive perquisites.

	Perks1			Perks2		
	High shareholding ratio	Low shareholding ratio	Full sample	High shareholding ratio	Low shareholding ratio	Full sample
_cons	0.4841*** (5.73)	1.5290*** (4.34)	0.9340*** (4.60)	0.1067*** (6.53)	0.2519*** (4.95)	0.1665*** (6.59)
Loan	-0.0266* (-1.79)	-0.3143** (-2.01)	-0.3456 (-1.50)	0.0008 (0.21)	-0.0384*** (-3.90)	-0.0430*** (-5.92)
First	-0.0084* (-1.92)	-0.1273 (-1.58)	-0.1670* (-1.95)	-0.0069*** (-3.08)	-0.0304* (-1.84)	-0.0331*** (-9.38)
Loan*First			0.4414** (2.18)			0.0640*** (4.37)
Size	-0.0112*** (-13.29)	-0.0547*** (-3.27)	-0.0327*** (-3.76)	-0.0021*** (-7.39)	-0.0093*** (-3.49)	-0.0054*** (-4.35)
Debt	-0.0263*** (-2.70)	0.1467* (1.85)	0.1248* (1.69)	-0.0179*** (-7.31)	0.0099 (0.94)	-0.0021 (-0.36)
Roe	-0.0297*** (-3.45)	-0.0129 (-1.35)	-0.0143 (-1.56)	-0.0004 (-0.33)	0.0002 (0.90)	-0.0001 (-0.39)
Growth	-0.0000 (-1.02)	-0.0001 (-0.89)	-0.0001 (-1.12)	-0.0018* (-1.90)	-0.0001 (-1.03)	-0.0001 (-0.93)
Cash	-0.0525*** (-3.31)	-0.4629*** (-2.89)	-0.2365*** (-3.36)	-0.0104*** (-2.75)	-0.0980** (-1.97)	-0.0504*** (-2.25)
CEOsh	-0.0074 (-1.28)	-0.2080*** (-3.23)	-0.0730*** (-3.99)	0.0057*** (3.58)	-0.0045 (-0.71)	0.0000 (0.02)
Year Fixed Effect	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effect	Yes	Yes	Yes	Yes	Yes	Yes
F	47.43	327.78	1452.17	34.64	20.77	46.04
Prob > F	0.000	0.000	0.000	0.000	0.000	0.000
R ²	0.1223	0.025	0.0187	0.1023	0.0235	0.022
Obs	9397	9397	18794	6532	6532	13064

Note: The regression result brackets are t values; *, ** and *** indicate that coefficients passed the test under the 10%, 5% and 1% significance levels respectively.

of listed companies on the relationship between bank loan and executive perquisites in the context of post-split-share reform. It can be seen from **Table 6** that in the Perks1 column of the executive perquisites, the regression coefficient of bank loan Loan in the listed company with the highest shareholding ratio of the largest shareholder is -0.0266, and the significance level is 10%. But the regression coefficient of bank loan Loan in the listed company with the lower shareholding ratio of the largest shareholder is -0.3143 and the significance level is 1%. There is a significant difference between the two regression coefficients, Chow Test = 214.33, corresponding to a p value of 0.000. This indicates that the listed company with a lower shareholding ratio of the largest shareholder has a more significant effect on restraining executive perquisites than the listed company which has a higher ratio of the largest shareholder. In addition, in the full sample data,

the regression coefficient of the intersection term Loan*First is 0.4414, and the significance level is 5%, so the same empirical conclusion can be obtained. In the Perks2 column of the executive perquisites, the regression coefficient of bank loan Loan in the listed company with the higher shareholding ratio of the largest shareholder is 0.0008, which did not pass the significance test. However, the regression coefficient of the bank loan Loan of the listed company with a lower shareholding ratio of the largest shareholder is -0.0384, and the significance level is 1%; In addition, in the full sample data, the regression coefficient of the intersection term Loan*First is 0.0640, and the significance level is 1%, which indicates that compared with the listed company with a high proportion of the first major shareholder, the listed company with a lower shareholding ratio of the largest shareholder has a more significant effect on restraining executive perquisites. Therefore, this empirical result shows that under the background of post-split-share reform, the proportion of the largest shareholder's shareholding continues to decrease, resulting in the lack of supervision of the controlling shareholder of the listed company, and the entrusted agency cost of the manager's encroachment on the company's interests is more serious. At this time, the bank's loan replace the supervision of the controlling shareholder, and the restraining effect on the manager's executive perquisites is more significant. Therefore, H₃ is established.

5.5. Robustness Test

1) Endogenous discussion

Considering the possible relationship between bank loan and executive perquisites, this paper uses the instrumental variable method to re-examine the above conclusions. Since China's commercial banks generally adopt the scoring system to decide whether to issue loans, this paper chooses the Z value as the instrumental variable of bank loan. The empirical results are shown in **Table 7**.

The Z-value is calculated using the Z-score model proposed by Altman in 1968 [22]

$$Z = 0.012 * X_1 + 0.014 * X_2 + 0.033 * X_3 + 0.006 * X_4 + 0.999 * X_5$$

where X_1 = net working capital ÷ total assets; X_2 = retained earnings ÷ total assets; X_3 = profit before interest and tax ÷ total assets; X_4 = total market value ÷ total liabilities; X_5 = sales revenue ÷ total assets.

It can be seen from **Table 7** that the regression coefficients of bank loan Loan are significantly negative, both executive perquisites Perks1 and Perks2, and the main research conclusions remain unchanged.

2) The impact of liability

It's probably not because the bank's supervisory mechanism works, but that debt as a hard constraint has a depressing effect on the manager's encroachment on the company's interests. We can see that the regression coefficient of the asset-liability ratio Debt is not significantly stable and negative from the previous empirical results of **Tables 4-7**. Therefore, it is not because the hard constraints

Table 7. Endogenous test results.

	Perks1		Perks2	
	Coef.	t	Coef.	t
_cons	0.5283***	2.73	0.1146***	3.13
Loan	-2.1962***	-4.56	-0.4254***	-4.00
Size	-0.0258***	-3.11	-0.0034**	-2.16
Debt	-0.9935	-1.54	-0.2135*	-1.72
Roe	-0.0156	-1.22	0.0010	1.06
Growth	0.0001	0.78	-0.0001	-0.62
Cash	0.1204*	1.65	0.0022	0.09
First	-0.0419	-1.26	-0.0142**	-2.14
CEOsh	-0.1732***	-3.28	-0.0178**	-2.18
Year Fixed Effect	Yes		Yes	
Industry Fixed Effect	Yes		Yes	
F	995.33		23.07	
Prob> F	0.000		0.000	
R ²	0.0328		0.0543	
Obs	18794		13064	

Note: The regression result brackets are t values; *, ** and *** indicate that coefficients passed the test under the 10%, 5% and 1% significance levels respectively.

of bank loan have a corporate governance effect on the manager's executive perquisites, but because the bank is a professional financial institution, which has the advantages of information, talents and technology, and can better overcome the problem of information asymmetry and adverse selection, playing a role in corporate governance.

3) Equity balance

Although the results in **Figure 1** indicate that the shareholding ratio of the largest shareholder is still high, **Figure 1** shows the fact that the shareholding ratio of the largest shareholder is declining, which may cause changes in the equity balance between major shareholders, influencing executive perquisites of managers. The degree of equity balance is high, so the incentives of the supervisors of the major shareholders are reduced, and the power of the managers increase. At this time, the effect of bank loan on manager supervision is stronger, and the effect of reducing managers' executive perquisites is stronger at the same time. Therefore, this paper defines the equity balance degree as the ratio of the shareholding proportion of the second largest to the fifth largest shareholder to the shareholding proportion of the largest shareholder, and replaces shareholding ratio of the largest shareholder with the equity balance to discuss the impact of bank loan on executive perquisites in the context of split-share reform. The results can be seen from **Table 8** that whether Perks1 or Perks2, the absolute value of the bank loan Loan regression coefficient is higher than the equity balance,

Table 8. Empirical Results of the Impact of Equity Balance on Bank Loan and Executive perquisites.

	Perks1			Perks2		
	High equity balance	Low equity balance	Full sample	High equity balance	Low equity balance	Full sample
_cons	0.7463*** (10.92)	0.9683** (2.49)	0.8889*** (5.33)	0.1621*** (3.13)	0.1646*** (8.10)	0.1611*** (6.49)
Loan	-0.0844** (-2.40)	-0.0258 (-1.52)	-0.1801* (-1.95)	-0.0277*** (-2.71)	-0.0125** (-2.34)	-0.0187*** (-3.87)
Balance			0.0208*** (4.06)			0.0067*** (7.55)
Loan*Balance			-0.1266*** (-3.45)			-0.0202* (-1.94)
Size	-0.0286*** (-11.70)	-0.0417** (-2.00)	-0.0325*** (-4.29)	-0.0074*** (-2.88)	-0.0045*** (-7.71)	-0.0058*** (-4.39)
Debt	0.0427*** (2.68)	0.2442 (1.14)	0.0859** (2.06)	0.0038 (0.32)	-0.0069 (-1.60)	-0.0019 (-0.30)
Roe	-0.0061 (-1.60)	-0.0625 (-1.17)	-0.0152 (-1.57)	-0.0000 (-0.15)	-0.0006 (-0.37)	-0.0001 (-0.47)
Growth	-0.0001 (-0.89)	-0.0000 (-0.67)	-0.0001 (-1.03)	-0.0002 (-1.25)	0.0008 (0.49)	-0.0001 (-0.87)
Cash	-0.2546*** (-3.06)	-0.2106** (-2.33)	-0.2519*** (-3.15)	-0.0770 (-1.62)	-0.0324*** (-2.97)	-0.0513** (-2.27)
CEOsh	-0.1077*** (-5.77)	-0.0462*** (-2.86)	-0.0721*** (-3.85)	-0.0084 (-1.28)	0.0013 (0.61)	-0.0005 (-0.14)
Year Fixed Effect	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effect	Yes	Yes	Yes	Yes	Yes	Yes
Chow test	347.21			64.36		
p	0.000			0.000		
F	838.44	16.21	467.43	24.55	20.37	44.71
Prob > F	0.000	0.000	0.000	0.000	0.000	0.000
R ²	0.0617	0.0198	0.0182	0.0182	0.0905	0.0211
Obs	9397	9397	18794	6532	6532	13064

Note: The regression result brackets are t values; *, ** and *** indicate that coefficients passed the test under the 10%, 5% and 1% significance levels respectively.

and there is a significant difference by the Chow test, or the regression coefficient of Loan*Balance is significantly negative from the intersection of the full sample data. This shows that listed companies with high equity balances have a stronger negative effect on executive perquisites. The supervisory incentives of the major shareholders on the manager's interest encroachment behavior are reduced, and the managers have a stronger discretionary power due to the high degree of equity balance. Therefore, the supervision effect of bank loan on managers is more significant. This robustness result reinforces the assumption of the

supervisory effect of bank loan in the context of the split-share reform.

6. Conclusions

Different from the financial system based on direct financing such as Britain and the United States, Chinese financial system is based on indirect financing of banks. The corporate governance of listed companies in China may be different from Britain and the United States. Qian (1995) earlier proposed banks as external human-controlled plays an important role in corporate governance. After joining the WTO, China's commercial banks have adopted a series of reform measures, and the market-oriented behavior of commercial banks has become more apparent. This paper selects the agent cost of manager's executive perquisites as the research object, and examines the impact of bank loan on managers' executive perquisites, so as to investigate whether the external human governance mechanism of commercial banks in China works. At the same time, considering the listed companies with different property rights in China, state-owned enterprises bear the strategic burden of solving social burdens such as employment and industrial adjustment [20], so the different influences of bank loan on executive perquisites in state-owned listed companies and non-state-owned listed companies are investigated. Finally, in the context of post-split-share reform, the non-tradable shares held by the largest shareholder were continuously lifted, and the shareholding ratio of the largest shareholder continued to decline. This brings about the transformation of the principal-agent problem of listed companies in China. The previous type is mainly about agent problem between the major shareholder and the minority shareholder. But now it switches to the agent problem between the major shareholder and the minority shareholder, along with shareholders and managers. Therefore, the impact of the shareholding ratio of the largest shareholder on the relationship between bank loan and executive perquisites is examined.

Using the data of China's listed companies in 2006-2017, the empirical results show that bank loan can significantly reduce the manager's executive perquisites. Compared with state-owned enterprises, bank loan has stronger corporate governance effects in private enterprises, and significantly reduces managers' executive perquisites. Compared with the listed companies with a high shareholding ratio of the largest shareholder, the corporate governance effect of bank loan with a low shareholding ratio of the largest shareholder is stronger, and the effect of reducing manager's executive perquisites is stronger.

The research conclusions of this paper not only provide empirical evidence for the discussion of China's commercial bank reform, but also determine the success of China's commercial bank reform, existing a strong corporate governance effect. However, the governance effect of state-owned listed companies is not significant, and it is required to further deepen the reform of China's commercial banks. For example, we should increase the proportion of foreign shareholdings in China's commercial banks, or expand the business scope of foreign

banks in China, and further reform the internal governance mechanism of commercial banks. It also provides empirical evidence for the reform of listed companies in China under the banking-based financial system. The empirical research of the predecessors rarely considers the bank as an external corporate governance mechanism. This paper provides sufficient evidence to support the corporate governance of commercial banks in China.

Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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