

The influence of the turnover of independent board members on the company's risk-taking behavior among Shanghai Stock Exchange 50

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Abstract

After the China Securities Regulatory Commission proposed in 2001 that Chinese listed companies must strictly establish independent directors, Chinese companies immediately began to improve their independent director system. As of December 31, 2020, the number of independent directors in the market totaled 14,060, accounting for about 37% of the total number of boards in the market. This indicator currently meets the requirement that the number of independent directors of listed companies must account for 1/3 of the board of directors. In this article, we take the representative Shanghai Securities 50 companies among the listed companies in China as a sample to explore the corporate governance changes before and after the replacement of independent directors. In our research, we detected that after the regular replacement of independent directors, the overall company's risk-taking decreased by about 1.3%. This decline will also overlap with the company's conservatism caused by the new crown epidemic. The conclusion proves that after the replacement of independent directors, the company tends to reduce risk and become conservative; however, larger studies are still required.

Keywords: Company's risk-taking behavior, Independence board members turnover, Shanghai securities 50, post-COVID-19, Proportion of independent directors