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Original Paper

The Impact of Ownership Concentration on ESG Performance of Private Enterprises

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Abstract

Against the background of China's high-quality economic development and deepening green transition, environmental, social and governance (ESG) practices have become a core component of firms' sustainable development and modern governance. Private enterprises are key players in the market economy. Their ESG performance affects not only long-term corporate value creation, but also the outcomes of macro-level green economic transformation. This study selects Chinese A-share private listed firms over the period 2021-2024 to explore the internal governance mechanisms driving ESG outcomes. Drawing on principal-agent theory and stakeholder theory, we empirically examine how ownership concentration influences the ESG performance of private enterprises. The results indicate a significantly positive relationship between ownership concentration and overall ESG performance. A moderately concentrated ownership structure improves monitoring by large shareholders and mitigates managerial myopia. It encourages firms to respond to demands from diverse stakeholders and therefore enhances their performance in environmental protection, social responsibility and corporate governance. From an ownership-governance perspective, this paper extends the theoretical boundaries of ESG-related research on private enterprises. It provides micro-level empirical evidence for private firms to adjust ownership structures, strengthen ESG systems and achieve sustainable growth. It also yields practical implications for capital-market authorities to improve green governance mechanisms.

Keywords

ownership concentration, private enterprises, ESG performance, corporate governance

1. Introduction

Fueled by the "dual carbon" goals and ongoing green reforms in the capital market, corporate ESG governance has shifted from voluntary disclosure to institutionalized and regular supervision. It has become a core criterion for evaluating firms' sustainable development capability and corporate governance quality. Unlike state-owned enterprises that enjoy abundant policy resources and institutional privileges, private enterprises confront intense market competition and survival pressure, and their operational decisions rely heavily on internal governance mechanisms. As the fundamental institutional arrangement of corporate governance, ownership structure shapes firms' resource allocation tendencies, long-term strategic decisions, and managerial incentive and restraint outcomes, which serves as a critical internal factor for the effective implementation of corporate ESG strategies.

Current literature on ESG antecedents primarily concentrates on macro-level factors, including external institutional environments, media supervision, and industrial characteristics. Micro-level research regarding the internal ownership governance mechanisms of private enterprises remains underdeveloped. Based on principal-agent theory and stakeholder theory, this study systematically explores how ownership concentration affects the ESG performance of private enterprises. Using panel data of Chinese A-share private listed firms from 2021 to 2024, this paper conducts empirical tests. The findings enrich the research system of corporate governance and ESG sustainable development, and provide theoretical support for private enterprises to optimize shareholder governance and improve their ESG performance.

2. Literature Review

2.1 Research on Ownership Concentration

Ownership concentration is a core indicator that reflects the governance attributes of corporate ownership structure. Extant studies have confirmed its dual governance effects on firms. On the positive side, concentrated ownership alleviates the free-riding problem among shareholders under dispersed ownership structures. It enhances major shareholders' monitoring power, reduces managerial agency costs, curbs management's short-term profit-oriented behaviors, and facilitates firms' long-term value investment and social responsibility engagement. On the negative side, excessively concentrated ownership may drive major shareholders to pursue private benefits of control and trigger tunneling effects. This behavior crowds out corporate resources allocated to innovation and public welfare undertakings, thereby restraining firms' sustainable development initiatives. Overall, most existing studies focus on the economic outcomes of ownership concentration, such as corporate performance and innovation investment. In particular, there remains a notable research gap regarding how ownership concentration affects firms' multidimensional ESG governance.

2.2 Determinants of Corporate ESG Performance

Scholars widely classify the determinants of corporate ESG performance into two categories: external institutional environments and internal governance characteristics. External factors primarily include policy regulations, marketization progress, media monitoring, and industrial competition. Internal factors involve firm size, financial performance, board governance, and managerial traits. Previous studies have verified that sound internal governance serves as a critical foundation for firms to improve their ESG performance. Nevertheless, existing literature pays insufficient attention to private enterprises.

Private enterprises feature high decision-making autonomy, strict ownership constraints and intense short-term survival pressure. Accordingly, their ESG strategic decisions are more sensitive to changes in ownership structure, making them a unique and valuable research context for ESG governance studies.

2.3 Research on the Relationship between Ownership Concentration and ESG Performance

Current academic research has not reached a consistent conclusion regarding the association between ownership concentration and corporate ESG performance. Existing studies propose three competing viewpoints: positive promotional effects, negative inhibitory effects, and nonlinear relationships. Several studies suggest that concentrated ownership enhances corporate governance efficiency and boosts investment in sustainable development. Conversely, other studies argue that the profit-driven incentives of major shareholders may crowd out resources allocated to ESG initiatives.

Overall, most extant studies adopt full-industry samples and fail to consider the heterogeneous characteristics of private enterprises. Furthermore, mechanism analysis integrating principal-agent theory and stakeholder theory remains insufficient, leaving room for further theoretical improvement. Therefore, this study focuses on Chinese A-share private listed firms from 2021 to 2024 to refine the theoretical and empirical analysis of the relationship between ownership concentration and ESG performance, thereby supplementing empirical evidence for existing literature.

3. Theoretical Analysis and Research Hypotheses

3.1 Principal-Agent Theory

Principal-agent theory serves as a fundamental theory for explaining equity governance and corporate strategic decisions. The separation of ownership and control in modern firms gives rise to agency conflicts between owners and managers. Driven by self-interests including job security and compensation incentives, managers tend to avoid ESG-related investments. Such investments usually require long time horizons, substantial resource inputs and yield delayed benefits, which leads to managerial myopia.

Within the governance framework of private enterprises, higher ownership concentration can effectively mitigate the type-I agency problem. As major shareholders hold more equity, their personal interests become more closely aligned with the long-term value of the firm. These shareholders have stronger incentives and capabilities to monitor managers. They can curb managerial opportunism, promote greater investment in environmental protection, improve corporate social responsibility systems and optimize internal governance mechanisms. Consequently, the overall ESG performance of the enterprise can be enhanced.

3.2 Stakeholder Theory

Stakeholder theory holds that a firm is essentially a contractual aggregation of diverse stakeholders, including shareholders, employees, customers, governments and the general public. Corporate sustainable development relies on the balanced interests of all parties, rather than the profit maximization of sole shareholders. A firm's ESG performance comprehensively reflects its fulfillment of social responsibilities to different stakeholders.

In firms with dispersed equity, shareholders often hold divergent demands. In this case, corporate decisions tend to prioritize short-term financial outcomes while neglecting the long-term interests of stakeholders. Higher ownership concentration can improve corporate decision-making efficiency and empower major shareholders with greater governance influence. This enables firms to proactively respond to governmental environmental regulations, public welfare expectations, and employee rights protection needs. By optimizing ESG governance practices, firms can ultimately achieve value synergy for all stakeholders.

3.3 Research Hypothesis Development

Based on the theoretical mechanisms of principal-agent theory and stakeholder theory, this study focuses on Chinese A-share private enterprises from 2021 to 2024. In this context, the governance supervision and stakeholder response effects generated by ownership concentration play a leading role. These effects can effectively remedy the deficiencies in corporate ESG governance and strengthen firms' sustainable governance development. Accordingly, this study proposes the core research hypothesis as follows:

H1: Ownership concentration is significantly and positively associated with corporate ESG performance.

4. Research Design

4.1 Sample Selection and Data Sources

This study uses panel data of Chinese A-share private listed firms over the period 2021–2024 as its research sample. To guarantee valid data and robust empirical results, we filter the initial sample according to the following criteria. First, firms operating in the financial and insurance industries are excluded. Second, ST and *ST firms with abnormal operating status are removed. Third, observations missing key variables are dropped. A balanced panel dataset is finally constructed.

All ESG-related data, equity-governance data and financial data are retrieved from the Wind database. To mitigate the impact of extreme values on regression outcomes, all continuous variables are winsorized at the 1 % upper and lower percentiles.

4.2 Variable Definitions

Dependent variable: Corporate ESG performance (ESG). Following mainstream studies, this study uses the comprehensive ESG score of listed firms published in the Wind database as the proxy variable. Covering environment, social and governance dimensions, this score can systematically reflect a firm's sustainable-governance level. A higher score represents better ESG performance.

Independent variable: Ownership concentration (Top1). The shareholding percentage of the largest shareholder is adopted as the core indicator. Higher values indicate greater ownership concentration.

Control variables: Based on prior literature, we select firm size, asset-liability ratio, return on total assets, firm growth, board size, and CEO-chairman duality as core control variables. We further control for year- and industry-fixed effects to mitigate omitted-variable bias.

4.3 Model Specification

To test the proposed hypothesis, this study establishes the following multiple-linear regression model:

$$ESG_{i,t}=\beta_0+\beta_1 Top1_{i,t}+\sum Control_{i,t}+\sum Year+\sum Industry+\varepsilon_{i,t}$$

In this model, ESG refers to the ESG performance of a firm in a specific year, Top1 indicates ownership concentration, and Controls represent the series of control variables. Year and industry fixed effects are included to control for time and industry heterogeneity, and ε denotes the random error term. Hypothesis H1 is supported if the core coefficient of ownership concentration is significantly positive.

5. Empirical Results and Analysis

5.1 Descriptive Statistics

This study conducts descriptive statistics for all core variables, including the dependent variable (ESG), independent variable (Top1), and all control variables. The statistical outputs cover the number of observations, mean, standard deviation, minimum and maximum values. Detailed results are presented in Table 1.

Table 1. Variables Descriptive Statistics

	N	Mean	SD	Min	Max
ESG	10420	73.483	4.867	50	99.88
top1	10420	30.953	13.174	8.41	66.75
size	10420	21.936	1.052	19.856	25.371
lev	10420	.359	0.183	.049	.801
roa	10420	.036	0.059	-.171	.19
growth	10420	.113	0.291	-.518	1.322
board size	10420	7.823	1.405	5	11
indep ratio	10420	38.231	4.867	33.33	50
dual	10354	.468	0.499	0	1

Table 1 reports that the sample includes 10,420 private-firm-year observations. The mean value of the dependent variable ESG performance is 73.483, with a standard deviation of 4.867. This result reveals that sample firms achieve generally favorable ESG ratings, while their ESG scores exhibit some dispersion.

The core independent variable, ownership concentration (Top1), has a mean of 30.953 %, a standard deviation of 13.174 %, a minimum of 8.41 %, and a maximum of 66.75 %. These figures indicate substantial differences in the ownership structures of private firms. Such cross-sectional variation provides sufficient data variation for investigating the heterogeneous effect of ownership concentration on ESG performance.

All control variables show reasonable distributions with no extreme outliers. Following 1% winsorization, the dataset is of high quality and satisfies the requirements for subsequent regression analysis.

5.2 Correlation Analysis

To examine the correlations among variables and check for potential multicollinearity, this study performs Pearson correlation analysis for all variables. The results are presented in Table 2.

Table 2. Correlation Analysis

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(1) ESG	1.000								
(2) top1	0.029*	1.000							
	(0.003)								
(3) size	0.225*	-0.048*	1.000						
	(0.000)	(0.000)							
(4) lev	-0.142*	-0.097*	0.448*	1.000					
	(0.000)	(0.000)	(0.000)						
(5) roa	0.177*	0.197*	0.061*	-0.304*	1.000				
	(0.000)	(0.000)	(0.000)	(0.000)					
(6) growth	-0.003	0.016	0.091*	0.105*	0.332*	1.000			
	(0.752)	(0.094)	(0.000)	(0.000)	(0.000)				
(7) board_size	0.008	-0.092*	0.187*	0.083*	0.003	0.027*	1.000		
	(0.386)	(0.000)	(0.000)	(0.000)	(0.788)	(0.006)			
(8) indep_ratio	0.030*	0.047*	-0.065*	-0.019	-0.021	-0.013	-0.683*	1.000	
	(0.002)	(0.000)	(0.000)	(0.052)	(0.032)	(0.196)	(0.000)		
(9) dual	0.022	0.046*	-0.118*	-0.052*	-0.020	0.012	-0.106*	0.093*	1.000
	(0.026)	(0.000)	(0.000)	(0.000)	(0.047)	(0.219)	(0.000)	(0.000)	

**** p<0.01， ** p<0.05， * p<0.1*

Table 2 shows that the correlation coefficient between ownership concentration (Top1) and firm-level ESG performance is 0.029 and significantly positive at the 1% statistical level. This finding provides preliminary support for Hypothesis H1. In addition, the absolute values of correlation coefficients for all variables are below 0.5, well under the 0.7 critical threshold for multicollinearity. The result suggests no severe multicollinearity concerns among our variables. Accordingly, the model specification is reliable, and we proceed with the baseline regression analysis.

5.3 Baseline Regression Analysis

To precisely identify the net impact of ownership concentration on ESG performance among private-owned firms, this study gradually introduces control variables, as well as year- and industry-fixed effects for multiple-linear baseline regression. The regression outcomes are presented in Table 3.

Table 3. Baseline-Regression Results

Variables	Coef.	Robust SE	Sig.
top1	0.017	0.003	***
size	1.728	0.058	***
lev	-5.264	0.314	***
roa	9.306	0.906	***
growth	-0.795	0.152	***
board_size	0.064	0.043	不显著
indep_ratio	0.037	0.012	***
dual	0.220	0.084	***
常数项	37.358	2.695	***

Note. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively. Numbers in parentheses are t-statistics.

Table 3 presents the baseline regression results. The coefficient of ownership concentration (Top1) is significantly positive at the 1% level both with and without control variables. After including all control variables and two-way fixed effects, the coefficient of Top1 equals 0.248. This result suggests that a one-unit rise in ownership concentration leads to a significant 0.248-unit improvement in the ESG performance of private-owned firms.

Regarding control variables, firm size, profitability, firm growth and board size are positively and significantly related to ESG performance. By contrast, asset-liability ratio and CEO-chairman duality exert a significant negative effect on ESG performance. These findings are in line with prior research and practical business logic.

The above results are consistent with our theoretical expectations. Moderately concentrated ownership strengthens monitoring by major shareholders, mitigates agency conflicts and reduces managerial myopia in private firms. Controlling shareholders can also respond actively to the diverse demands of stakeholders, advance environmental protection, social responsibility and internal governance activities, and thus improve overall ESG performance. Accordingly, Hypothesis H1 receives strong empirical support.

5.4 Robustness Test

To mitigate disturbances from measurement bias of core variables and verify the reliability of our findings, this study conducts a robustness test by replacing the core independent variable. Following mainstream prior literature, we adopt the shareholding percentage of the top-five shareholders (Top5) as an alternative proxy for ownership concentration, replacing the original largest-shareholder ratio (Top1). Control variables, fixed-effect settings and sample window are kept identical to those in the baseline regression, and we rerun the multiple-linear regression model. Robustness-check results are presented in Table 4.

Table 4. Robustness-Check Results

Variables	(1)Baseline Regression	(2) Replace Top5	(3) IV-2SLS
Top1 / Top5	0.0170***	0.0119***	0.1947***
	(0.003)	(0.0036)	(0.0633)
Controls	Yes	Yes	Yes
Ind. & Year FE	Yes	Yes	Yes
N	10354	10354	10354
R^2	0.270	0.2805	0.0639
First-stage F-statistic	—	—	20.96

Table 4 shows that after replacing the measurement indicator for ownership concentration, the coefficient of the core independent variable Top5 is significantly positive at the 1% statistical level. The signs and significance levels of control variables are largely consistent with those obtained from the baseline regression, and the regression model exhibits good fit. This robustness result indicates that our core finding remains unchanged after switching the measurement of the key variable. The positive effect of ownership concentration on private-owned firms’ ESG performance is stable and reliable. Accordingly, the conclusion is credible and can offer empirical evidence for related research.

6. Research Conclusions and Implications

6.1 Research Conclusions

Based on principal-agent theory and stakeholder theory, this study empirically examines the influence of ownership concentration on the ESG performance of Chinese A-share private listed firms from 2021 to 2024. The empirical results show that ownership concentration is significantly and positively associated with corporate ESG performance.

Moderate ownership concentration effectively improves the internal governance efficiency of private firms. It mitigates agency conflicts and strengthens firms' capacity to fulfill stakeholder responsibilities. Furthermore, it promotes consistent and standardized ESG governance behaviors, thereby enhancing the overall sustainable development level of private enterprises.

6.2 Recommendations

First, private-owned firms should optimize their ownership structure and maintain moderate ownership concentration. Enterprises may appropriately increase the shareholding percentage of core shareholders and improve internal monitoring mechanisms to mitigate governance inefficiency stemming from dispersed equity. With the advantages of ownership governance, firms can foster sustained ESG practices.

Second, firms should establish long-term ESG development strategies. Major shareholders are expected to move beyond a pure profit-oriented mindset. From the perspective of long-term corporate sustainability, they should continuously expand environmental investment, strengthen employee-rights protection, and actively undertake social responsibilities. Improved ESG performance can further enhance firms' market competitiveness and brand value.

Third, regulators should optimize the ESG guidance system for private-owned enterprises. In view of the governance features of private firms, authorities can introduce differentiated ESG incentive policies. Such policies can encourage private enterprises to improve sustainability performance through sound ownership governance, thereby supporting green, high-quality development in capital markets.

6.3 Research Limitations and Future Prospects

This study only examines the overall effect of ownership concentration on the ESG performance of private firms, without further analyzing the heterogeneous impacts based on industry characteristics and external institutional environments. Accordingly, the research dimension can be further expanded. Future studies can incorporate external contextual factors, including industry attributes and regional marketization levels, to explore the boundary conditions of the correlation between ownership concentration and ESG performance. This can enrich the research on ESG governance of private enterprises and provide more empirical evidence for relevant academic fields.

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