A Study on the Impact of Institutional Investor Site Visits on Corporate Governance Performance: Empirical Evidence from GEM-Listed Firms

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ABSTRACT As important participants in the capital market, institutional investors influence the governance performance of listed companies through different modes of engagement. Corporate governance performance is mainly reflected in information disclosure quality and agency costs. From the perspective of institutional investors, this paper selects data on 2,943 GEM-listed firms on the Shenzhen Stock Exchange from 2013 to 2021 and uses STATA 17.0 for regression analysis. The results show that both the frequency of institutional investor site visits and the number of institutions participating in site visits are significantly positively associated with the quality of corporate information disclosure, and this positive effect is more pronounced in non-state-owned enterprises. At the same time, both the frequency of site visits and the number of participating institutions significantly suppress the two types of agency costs, and this inhibitory effect is more significant in firms with lower ownership concentration.

INDEX TERMS institutional investors; site visits; information disclosure; agency costs

I. INTRODUCTION

The sustained high-quality development of listed companies is the micro-foundation for the healthy development of the capital market [1]. On September 23, 2020, the Executive Meeting of the State Council emphasized the need to improve the quality and strength of listed companies, improve the mechanism for institutional investors to participate in corporate governance, implement internal control standards, and enhance information transparency and disclosure quality. In October 2020, the State Council issued the *Opinions on Further Improving the Quality of Listed Companies*, noting that although the number of listed companies in China has surged and their quality has continued to improve, problems such as non-standard operations and governance, as well as insufficient development quality, remain difficult to ignore. The document emphasized improving listed company governance by enhancing information disclosure quality and by promoting sound communication between board members and institutional investors, as well as establishing channels and forms for investor participation in corporate governance [2]. In 2021, the *Company Law of the People's Republic of China (Draft Revision)* further stressed improving the corporate capital system to better accommodate different investors' needs while strengthening the responsibilities of controlling shareholders and management.

As outstanding representatives of Chinese enterprises, listed companies are expected by the public to achieve high-quality development, which requires continuous improvements in governance capability. With the continuous expansion of institutional investors' investment scale and shareholding ratios, their role in stabilizing the capital market and promoting value investing has become increasingly important. How institutional investors affect corporate governance has gradually become a focal topic in academic research. A large body of empirical evidence shows that, compared with individual investors, institutional investors have clear advantages in capital endowment and professional expertise, as well as stronger abilities to obtain, identify, and process information. Since July 2012, the Shenzhen Stock Exchange has required listed companies to disclose relevant information after investor research activities, which has made research data easier to obtain and laid a solid foundation for studying the governance effects of institutional investor site visits.

Against this background, this paper takes GEM-listed firms on the Shenzhen Stock Exchange from 2013 to 2021 as the research sample. Based on the theory of dual principal-agent relationships, it empirically examines the impact of institutional investor site visits on corporate governance performance. The paper focuses on two questions. First, can institutional investor site visits improve the information disclosure quality of listed companies, and does this effect differ across firms with different ownership types? Second, can institutional investor site visits significantly reduce agency costs, and does this effect differ

across firms with different levels of ownership concentration? The ultimate goal is to provide theoretical support for improving corporate governance.

II. LITERATURE REVIEW

A. THE INFORMATIONAL ADVANTAGES OF INSTITUTIONAL INVESTOR SITE VISITS

Existing research shows that institutional investors can obtain informational advantages through site visits. Green et al. (2014) find that analysts' expertise comes not only from sophisticated processing of public information but also from privileged access to management [3]. Cheng et al. (2019) define site visits as investors' on-site inspections of corporate headquarters and production facilities, during which investors observe operations and communicate with employees in order to obtain firm-specific information [4].

Investor research activities improve the quality of acquired information. Xu Yuanyuan et al. (2015) argue that compared with regularly released financial statements, institutional investors occupy a more active position during site visits, which increases the difficulty for firms to embellish their reports and allows institutional investors to obtain more accurate information [5]. Fu Qinghong (2021) points out that through face-to-face communication with corporate employees, investors can observe tone, expression, and demeanor, obtain certain private information in a timely manner, and directly inspect production, operations, and equipment, thereby gaining a more intuitive understanding of the real condition of the firm [6].

Institutional investor site visits may also increase sensitivity to bad-news processing. Gao et al. (2017) find that the frequency of institutional investors' site visits is positively associated with the future stock price crash risk of the firms they visit. This suggests that the bad-news hoarding aggravation effect of institutional investor site visits may outweigh their bad-news restraining effect [7].

B. INSTITUTIONAL INVESTOR SITE VISITS AND CORPORATE GOVERNANCE

In recent years, as site visits by institutional investors have become more frequent and widespread, scholars have increasingly paid attention to their governance effects. Institutional investor research activities affect the quality and management of financial information disclosed by listed firms. Tan Jinsong et al. (2016) find that institutional investor research is one way for institutional investors to participate in corporate governance and that such behavior helps improve governance and thereby enhances information disclosure quality [8]. Han et al. (2018) show that corporate visits significantly improve analysts' accuracy in forecasting the future earnings of the visited firms [9]. Wang Shan (2017) finds, using site-visit data from listed companies, that investor site visits effectively constrain managerial earnings management [10]. Yang Xia et al. (2020) show that institutional investor research effectively supervises and constrains tunneling by controlling shareholders, thereby weakening their informational advantage and protecting the rights and interests of minority investors [11]. However, some scholars reach the opposite conclusion. Cheng Xiaoke et al. (2017) find that investor research imposes performance pressure on firms, making managers more inclined to use vague earnings forecast methods [12].

In addition, many scholars have examined the effect of site visits on investment efficiency. Li Wenjing et al. (2018) point out that a greater number of analyst site visits helps improve information efficiency in the capital market [13]. Lin Ting et al. (2019), from the perspective of information asymmetry, find that institutional research improves the dissemination and interpretation efficiency of firm-specific information in the capital market, thereby alleviating underinvestment caused by internal and external information asymmetry [14]. Li Mei et al. (2020) empirically test the internal relationship among institutional investor research, controlling shareholder share reduction, and investment efficiency, and find that controlling shareholder share reduction negatively affects investment efficiency, while institutional investor research weakens this effect [15]. Ye Yong et al. (2021) find that the more frequent the institutional investor site visits and the larger the number of participating institutions, the greater the degree of asset mispricing [16].

III. THEORETICAL ANALYSIS AND RESEARCH HYPOTHESES

A. INSTITUTIONAL INVESTOR SITE VISITS AND INFORMATION DISCLOSURE QUALITY

During site visits, institutional investors visit corporate headquarters or factories, communicate with managers and employees, and obtain information that is difficult to derive directly from financial reports. This allows institutional investors to better understand a firm's operating performance, future prospects, and business risks. Within listed companies, investors' proactive research behavior is also viewed by management as a way of communicating with investors. The China Securities Regulatory Commission requires listed companies to hold telephone conferences, investor meetings, roadshows, and on-site research activities to communicate with organizations and individuals about operating activities and financial conditions. As a result, listed companies usually cannot refuse investors' requests for site visits and, to maintain investor relations, generally try to satisfy investors' information needs as much as possible.

During the site-visit process, institutional investors may, through communication with senior management, learn certain non-public information, which may negatively affect the firm's own interests. Therefore, management is more likely to prefer

continuously improving public information disclosure quality in order to better protect those interests, rather than allowing institutional investors to obtain indirect information through site visits. Moreover, as the number of institutions participating in site visits increases, information that might otherwise be overlooked may be discovered and mined by other institutional investors, allowing investors to obtain more comprehensive information and promoting improvements in corporate disclosure quality. In addition, institutional investors manage capital on behalf of clients, and if information asymmetry affects their investment decisions, their reputation may suffer. For this reason, they also have incentives to push firms to disclose higher-quality information [17]. Based on the above, institutional investor site visits are expected to affect the quality of public information disclosure by listed companies.

Accordingly, the following hypotheses are proposed:

H1: Institutional investor site visits help improve the information disclosure quality of listed companies.

H1a: The number of institutional investor site visits is positively related to information disclosure quality.

H1b: The number of institutions participating in site visits is positively related to information disclosure quality.

B. INSTITUTIONAL INVESTOR SITE VISITS AND CORPORATE AGENCY COSTS

Agency cost theory was first proposed by Jensen et al. (1976) [18]. Feng Genfu (2004), in light of the special ownership structure of Chinese firms, extended agency costs into a dual-agency-cost framework [19]. The first type refers to managerial agency costs, arising because managers and shareholders have inconsistent interests and information asymmetry, while managers themselves are subject to moral hazard. In practice, managers may have strong incentives to shirk or even engage in activities that are meaningless for corporate development and contrary to shareholder interests. The second type refers to controlling shareholder agency costs, which arise because controlling shareholders or large shareholders may use their control rights to expropriate wealth from minority shareholders and harm their interests.

Principal-agent theory holds that information asymmetry is an important source of opportunistic behavior, and opportunistic behavior in turn increases agency costs. In the principal-agent relationship between shareholders and management, executives may aim to maximize their own interests while ignoring shareholder goals. Jiang et al. (2018) point out that in the absence of external supervision, managers are more likely to enjoy a "quiet life," whereas institutional investor site visits exert a monitoring effect and prompt managers to devote more effort to operations [20]. Institutional investor site visits can make use of investors' professional knowledge and information-processing advantages to improve transparency, mitigate information asymmetry between investors and managers, and restrain managers' adverse selection and moral hazard behavior.

In the principal-agent relationship between controlling shareholders and minority shareholders, large shareholders or insiders know more about firm performance and prospects than minority shareholders and are therefore more likely to tunnel resources [21]. Institutional investors have rich investment experience and a degree of understanding of listed firms' operations. Through site visits, they can obtain relevant information for monitoring purposes and, combined with their own experience, detect concealed tunneling strategies by controlling shareholders in a timely manner. Furthermore, institutional investors' site visits may motivate management to improve public disclosure quality, and abundant empirical evidence shows that better information disclosure quality further reduces agency costs [22].

Taken together, institutional investor site visits are expected to suppress opportunistic behavior and thereby significantly affect both types of agency costs. The following hypotheses are therefore proposed:

H2: Institutional investor site visits help reduce the first type of agency cost.

H2a: The number of institutional investor site visits is negatively related to the first type of agency cost.

H2b: The number of institutions participating in site visits is negatively related to the first type of agency cost.

H3: Institutional investor site visits help reduce the second type of agency cost.

H3a: The number of institutional investor site visits is negatively related to the second type of agency cost.

H3b: The number of institutions participating in site visits is negatively related to the second type of agency cost.

IV. RESEARCH DESIGN

A. SAMPLE SELECTION AND DATA SOURCES

This paper selects data on GEM-listed companies on the Shenzhen Stock Exchange from 2013 to 2021. After screening out firms listed for less than one year in a given annual sample, ST firms, financial firms, and firms with missing variable data, the final sample contains 2,943 observations. Compared with 2012 and earlier years, listed companies in this sample period disclosed site-visit data more comprehensively.

Data on investor site visits come from the Shenzhen Stock Exchange Investor Interaction Platform and from annual reports of listed companies, and were manually compiled. Other variable data come from the CSMAR database. The data on institutional investor site visits were collected as follows. First, the *Registration Form for Reception of Research, Communication, Interviews, and Other Activities During the Reporting Period* was collected and summarized from annual reports, and institutional investors were distinguished from individual investors according to the "reception target" field. Second, site visits were distinguished from non-site visits according to the "reception location" field. Third, the number of site visits was counted according to the

"reception time" field. Finally, the number of institutions participating in site visits during the reporting period was counted using the investor research registration forms disclosed on the Shenzhen Stock Exchange Investor Interaction Platform. All data processing was completed in `STATA 17.0`.

B. VARIABLE DEFINITIONS

1) Information Disclosure Quality

Information disclosure quality (`ID`) is measured according to the four-grade evaluation system used by the Shenzhen Stock Exchange for listed companies. Based on six criteria, namely credibility, accuracy, completeness, timeliness, compliance, and fairness, listed companies are classified into grades `A`, `B`, `C`, and `D`, corresponding respectively to excellent, good, pass, and fail.

2) The First Type of Agency Cost

The first type of agency cost is measured by asset turnover (`Turnover`). A higher asset turnover ratio indicates a lower first type of agency cost.

3) The Second Type of Agency Cost

The second type of agency cost is measured by the capital occupation ratio of large shareholders (`Occupy`), defined as other receivables divided by total assets. A higher capital occupation ratio indicates a larger second type of agency cost.

4) Institutional Investor Site Visits

Institutional investor site visits are measured from two dimensions: the number of site visits (`SV1`) and the number of institutions participating in site visits (`SV2`). For regression convenience, both variables are transformed using the natural logarithm.

5) Control Variables

To account for other factors affecting corporate governance performance, and following prior studies, this paper includes the following control variables: leverage (`LEV`), firm size (`FSIZE`), ownership nature (`SOE`), ownership concentration (`FIRST`), institutional investor shareholding ratio (`INSTI`), board shareholding ratio (`BSHARE`), management shareholding ratio (`MSHARE`), independent director ratio (`INDIR`), CEO-chair duality (`DUAL`), and industry (`IND`) and year (`YEAR`) dummy variables.

Table 1. Variable Definitions

Variable Type	Variable Name	Symbol	Definition
Dependent variable	Information disclosure quality	ID	Excellent = 4, good = 3, pass = 2, fail = 1
Dependent variable	Asset turnover	Turnover	Operating revenue / average total assets
Dependent variable	Capital occupation ratio of large shareholders	Occupy	Other receivables / total assets
Explanatory variable	Institutional investor site visits	SV1	Natural logarithm of the number of site visits plus 1
Explanatory variable	Institutional investor site visits	SV2	Natural logarithm of the number of institutions participating in site visits plus 1
Control variable	Leverage	LEV	Total liabilities / total assets
Control variable	Firm size	FSIZE	Natural logarithm of total assets
Control variable	Ownership nature	SOE	State-owned enterprise = 1, otherwise = 0
Control variable	Ownership concentration	FIRST	Shares held by the largest shareholder / total shares
Control variable	Institutional ownership	INSTI	Shares held by institutional investors / total shares
Control variable	Board shareholding	BSHARE	Shares held by the board / total shares
Control variable	Management shareholding	MSHARE	Shares held by executives / total shares
Control variable	Independent directors	INDIR	Number of independent directors / total number of directors
Control variable	CEO-chair duality	DUAL	Chairman also serving as general manager = 1, otherwise = 0
Control variable	Industry	IND	CSRC 2012 industry classification; manufacturing uses secondary classification

Variable Type	Variable Name	Symbol	Definition
Control variable	Year	`YEAR`	Year dummy variable

C. MODEL SPECIFICATION

Following the research designs of Tan Jinsong et al. (2016) and Zhai Guangyu et al. (2022) [8,23], the models are specified as follows:

$$ID_{i,t} = \beta_0 + \beta_1 SV_{i,t} + \beta_2 Control_{i,t} + \lambda_i + \tau_t + \varepsilon_{i,t}$$

$$Turnover_{i,t} = \beta_0 + \beta_1 SV_{i,t} + \beta_2 Control_{i,t} + \lambda_i + \tau_t + \varepsilon_{i,t}$$

$$Occupy_{i,t} = \beta_0 + \beta_1 SV_{i,t} + \beta_2 Control_{i,t} + \lambda_i + \tau_t + \varepsilon_{i,t}$$

Equation (1) tests Hypothesis H1, Equation (2) tests Hypothesis H2, and Equation (3) tests Hypothesis H3. `Control` denotes the control variables defined above, λ denotes industry fixed effects, τ denotes year fixed effects, and ε is the random disturbance term.

V. EMPIRICAL ANALYSIS

A. DESCRIPTIVE STATISTICS

The descriptive statistics of the variables are reported in Table 2.

Table 2. Descriptive Statistics

Variable	N	Mean	SD	Min	Median	Max
ID	2943	3.150	0.550	2.000	3.000	4.000
Turnover	2943	0.539	0.270	0.135	0.489	1.707
Occupy	2943	0.013	0.015	0.000	0.008	0.085
SV1	2943	1.331	0.729	0.000	1.099	3.219
SV2	2943	2.691	1.319	0.000	2.833	5.375
LEV	2943	0.322	0.168	0.048	0.301	0.745
FSIZE	2943	21.51	0.829	19.97	21.43	23.93
SOE	2943	0.060	0.238	0.000	0.000	1.000
FIRST	2943	0.300	0.121	0.084	0.282	0.624
INSTI	2943	0.306	0.229	0.004	0.248	0.852
BSHARE	2943	0.272	0.194	0.000	0.277	0.674
MSHARE	2943	0.227	0.180	0.000	0.219	0.670
INDIR	2943	0.383	0.054	0.333	0.375	0.571
DUAL	2943	0.431	0.495	0.000	0.000	1.000

The two institutional-investor variables are logged in the regression. In actual terms, the number of institutional investor site visits ranges from 0 to 44, with the average firm being visited about three to four times per year. The number of institutions participating in site visits ranges from 0 to 500, with roughly 30 institutional investors participating in site visits for each firm each year on average. In terms of agency costs, the average asset turnover and the average capital occupation ratio of large shareholders are 54% and 1.3%, respectively, suggesting that capital occupation is generally low. As for ownership, non-state-owned firms account for 94% of the sample, and the average shareholding ratios of the largest shareholder and institutional investors are 30% and 31%, respectively, which are very close. In corporate governance terms, the proportion of independent directors is close to 40%, and nearly half of the firms have the chairman and general manager held by the same person.

B. CORRELATION ANALYSIS

The correlation matrix shows that both SV1 and SV2 are significantly positively related to information disclosure quality (ID), with correlation coefficients of 0.140 and 0.155, respectively, both significant at the 1% level. This suggests a significant positive relationship between institutional investor site visits and information disclosure quality. SV1 and SV2 are also positively related to asset turnover (Turnover), with coefficients of 0.023 and 0.037, respectively, with SV2 significant at the 5% level. In addition, SV1 and SV2 are negatively related to the capital occupation ratio of large shareholders (Occupy), with coefficients of -0.052 and -0.049, respectively, both significant at the 1% level. Overall, the correlation analysis is broadly consistent with the hypotheses proposed in this paper.

C. REGRESSION RESULTS

Regression analyses based on Equations (1), (2), and (3) are used to examine the relationships among institutional investor site visits, information disclosure quality, asset turnover, and the capital occupation ratio of large shareholders. The results are reported in Table 4.

Table 4. Regression Results

Variable	(1) ID	(2) ID	(3) Turnover	(4) Turnover	(5) Occupy	(6) Occupy
SV1	0.082*** (5.69)		0.021*** (3.45)		-0.001* (-1.77)	
SV2		0.040*** (4.95)		0.015*** (4.55)		-0.000** (-2.11)
LEV	-0.513*** (-7.35)	-0.511*** (-7.31)	0.536*** (18.67)	0.538*** (18.76)	0.012*** (6.89)	0.012*** (6.86)
FSIZE	0.105*** (6.90)	0.096*** (6.21)	-0.033*** (-5.32)	-0.037*** (-5.89)	0.000 (1.08)	0.001 (1.35)
SOE	0.093** (2.06)	0.088* (1.94)	-0.052*** (-2.77)	-0.053*** (-2.82)	-0.001 (-0.87)	-0.001 (-0.84)
FIRST	0.092 (0.96)	0.113 (1.17)	-0.000 (-0.00)	0.011 (0.28)	-0.000 (-0.10)	-0.001 (-0.23)
INSTI	0.489*** (7.17)	0.450*** (6.52)	0.218*** (7.79)	0.200*** (7.07)	-0.007*** (-4.07)	-0.007*** (-3.74)
BSHARE	0.087 (0.88)	0.063 (0.63)	0.048 (1.18)	0.040 (0.98)	0.004* (1.71)	0.005* (1.80)
MSHARE	0.543*** (4.73)	0.529*** (4.59)	0.149*** (3.16)	0.139*** (2.95)	-0.015*** (-5.17)	-0.015*** (-5.07)
INDIR	-0.416** (-2.22)	-0.403** (-2.14)	-0.214*** (-2.78)	-0.207*** (-2.69)	-0.006 (-1.18)	-0.006 (-1.22)
DUAL	-0.022 (-1.08)	-0.024 (-1.18)	-0.024*** (-2.83)	-0.025*** (-2.93)	-0.000 (-0.40)	-0.000 (-0.35)
Constant	0.741** (2.08)	0.959*** (2.66)	0.955*** (6.50)	1.040*** (7.03)	0.008 (0.92)	0.006 (0.65)
Industry	Controlled	Controlled	Controlled	Controlled	Controlled	Controlled
Year	Controlled	Controlled	Controlled	Controlled	Controlled	Controlled
Observations	2943	2943	2943	2943	2943	2943
R^2	0.093	0.090	0.363	0.365	0.175	0.175

Columns (1) and (2) show that both the number of institutional investor site visits and the number of participating institutions are positively associated with information disclosure quality at the 1% significance level. This indicates that increases in site-visit frequency and institutional participation improve information disclosure quality, supporting Hypothesis H1. Among the control variables, leverage is significantly negatively related to disclosure quality, indicating that firms with weaker solvency are more likely to embellish financial reports and use disclosure to attract investors.

Columns (3) to (6) examine agency costs. Columns (3) and (4) show that both the number of site visits and the number of participating institutions are positively related to asset turnover at the 1% level. Since higher asset turnover corresponds to lower first-type agency costs, these results imply that institutional investor site visits significantly suppress the first type of agency cost, supporting Hypothesis H2. Columns (5) and (6) show that site visits and the number of participating institutions are negatively related to the capital occupation ratio of large shareholders at the 10% and 5% levels, respectively. This indicates that institutional investor research behavior reduces large shareholders' occupation of corporate funds and constrains the tunneling of minority shareholders, supporting Hypothesis H3.

D. HETEROGENEITY ANALYSIS

1) Ownership Nature

Ownership nature is an important perspective in the study of corporate social responsibility information disclosure, and different theories lead to different conclusions [17]. Strategic motive theory suggests that, compared with state-owned enterprises, non-state-owned enterprises are more strongly profit-driven and may improve information transparency to enhance competitiveness. The heterogeneity analysis of information disclosure quality is reported in Table 5.

Table 5. Heterogeneity Analysis of Information Disclosure Quality

Variable	SOEs	Non-SOEs	SOEs	Non-SOEs
Dependent variable	ID	ID	ID	ID
SV1	0.148** (2.49)	0.079*** (5.68)		
SV2			0.061* (1.94)	0.039*** (4.99)
Constant	2.223 (1.61)	0.593* (1.88)	2.851** (2.08)	0.847*** (2.67)
Industry	Controlled	Controlled	Controlled	Controlled
Year	Controlled	Controlled	Controlled	Controlled
Observations	177	2766	177	2766

Table 5 shows that in the SOE subsample, the coefficients of SV1 and SV2 are positive and significant at the 5% and 10% levels, respectively. In the non-SOE subsample, both SV1 and SV2 are significantly positive at the 1% level. This indicates that, compared with SOEs, institutional investors' site visits have a stronger effect on improving the information disclosure quality of non-SOEs and thus further enhance their competitiveness.

2) Ownership Concentration

Ownership concentration is an important indicator of corporate structure and strongly influences agency problems and governance quality. This paper divides the sample into two groups based on ownership concentration. Firms whose largest shareholder's shareholding ratio is above the sample median are classified as high-concentration firms; the rest are classified as low-concentration firms. The heterogeneity analysis of agency costs is reported in Table 6.

Table 6. Heterogeneity Analysis of Agency Costs

Variable	High concentration	Low concentration	High concentration	Low concentration	High concentration	Low concentration	High concentration	Low concentration
Dependent variable	Turnover	Turnover	Turnover	Turnover	Occupy	Occupy	Occupy	Occupy
SV1	0.012 (1.24)	0.012 (1.27)			-0.000 (-0.46)	-0.001** (-1.98)		
SV2			0.007 (1.35)	0.009* (1.75)			-0.000 (-0.68)	-0.001* (-1.74)
Constant	0.885*** (4.26)	1.202*** (5.67)	0.919*** (4.38)	1.257*** (5.99)	0.006 (0.55)	0.034** (2.57)	0.005 (0.46)	0.029** (2.23)
Industry	Controlled	Controlled	Controlled	Controlled	Controlled	Controlled	Controlled	Controlled
Year	Controlled	Controlled	Controlled	Controlled	Controlled	Controlled	Controlled	Controlled
Observations	1579	1364	1579	1364	1579	1364	1579	1364

Table 6 shows that the results are broadly consistent with the main findings, but the regressions for the high ownership concentration group are insignificant. In the low ownership concentration group, SV2 affects asset turnover at the 10% significance level, while SV1 and SV2 affect the capital occupation ratio of large shareholders at the 5% and 10% significance levels, respectively. This indicates that the inhibitory effect of institutional investor site visits on agency costs is more pronounced in firms with lower ownership concentration. When corporate ownership is dispersed, it is harder for minority shareholders' interests to remain highly aligned with the firm's overall interests, and shareholders find it more difficult to exert strong control over corporate development or effectively supervise professional managers. This may lead to rent-seeking, malicious acquisitions, and other agency risks [25]. Institutional investors obtain more information through site visits, constrain the behavior of controlling shareholders and professional managers, and thereby reduce agency risk.

E. ROBUSTNESS TESTS

1) Subsample Regression

Manufacturing is a key foundation of the real economy, and its data are more representative. Based on the 2012 CSRC industry classification, this paper re-estimates the models using the manufacturing subsample. The results are reported in Table 7.

Table 7. Robustness Test Results Based on the Manufacturing Subsample

Variable	(1) ID	(2) ID	(3) Turnover	(4) Turnover	(5) Occupy	(6) Occupy
SV1	0.087*** (5.16)		0.019*** (2.94)		-0.001** (-2.26)	
SV2		0.053*** (5.46)		0.017*** (4.55)		-0.001*** (-3.51)
LEV	-0.419*** (-5.02)	-0.415*** (-4.97)	0.510*** (15.89)	0.513*** (16.01)	0.009*** (4.63)	0.009*** (4.58)
FSIZE	0.100*** (5.37)	0.086*** (4.56)	-0.023*** (-3.17)	-0.028*** (-3.83)	0.001* (1.70)	0.001** (2.22)
SOE	0.006 (0.11)	0.001 (0.02)	-0.036* (-1.81)	-0.037* (-1.86)	0.001 (0.47)	0.001 (0.51)
FIRST	0.230** (2.05)	0.263** (2.34)	0.089** (2.07)	0.104** (2.40)	-0.000 (-0.05)	-0.001 (-0.31)
INSTI	0.302*** (3.81)	0.253*** (3.14)	0.135*** (4.42)	0.115*** (3.74)	-0.009*** (-4.81)	-0.008*** (-4.26)
BSHARE	-0.039 (-0.36)	-0.077 (-0.70)	0.036 (0.86)	0.025 (0.59)	0.007*** (2.63)	0.007*** (2.84)
MSHARE	0.415*** (3.17)	0.394*** (3.00)	0.120** (2.38)	0.109** (2.16)	-0.017*** (-5.65)	-0.017*** (-5.47)
INDIR	-0.527** (-2.41)	-0.524** (-2.40)	-0.215** (-2.56)	-0.211** (-2.51)	0.002 (0.34)	0.002 (0.30)
DUAL	-0.028 (-1.16)	-0.030 (-1.24)	-0.023** (-2.51)	-0.024*** (-2.62)	0.000 (0.55)	0.000 (0.64)
Constant	1.018** (2.45)	1.316*** (3.14)	1.013*** (6.35)	1.112*** (6.92)	-0.006 (-0.66)	-0.011 (-1.13)
Industry	Controlled	Controlled	Controlled	Controlled	Controlled	Controlled
Year	Controlled	Controlled	Controlled	Controlled	Controlled	Controlled
Observations	2091	2091	2091	2091	2091	2091
R^2	0.055	0.057	0.248	0.253	0.079	0.082

Table 7 shows that institutional investor site visits remain significantly positively related to information disclosure quality, significantly positively related to asset turnover, and significantly negatively related to the capital occupation ratio of large shareholders. The main conclusions therefore remain basically robust.

2) Additional Control Variables

Following prior studies, this paper also adds two new control variables, board size (BSIZE) and the shareholding ratio of the top ten shareholders (Top10), on top of the existing control variables such as LEV and MSHARE. The results remain unchanged. Due to space limitations, these results are not reported in detail.

VI. CONCLUSIONS AND RECOMMENDATIONS

A. CONCLUSIONS

Using GEM-listed companies on the Shenzhen Stock Exchange from 2013 to 2021 as the sample, this paper examines the impact of institutional investor site visits on corporate governance performance, which is reflected primarily in information disclosure quality and two types of agency costs. The empirical results lead to two main conclusions.

First, institutional investor site visits help improve firms' information disclosure quality, and this improvement effect is more pronounced in non-state-owned enterprises. Second, institutional investor site visits are significantly positively related to asset turnover and significantly negatively related to the capital occupation ratio of large shareholders. In other words, institutional investors can suppress agency problems through site visits, and this inhibitory effect is more obvious in firms with lower ownership concentration.

B. RECOMMENDATIONS

1) Institutional Investors

Institutional investors should fully recognize the positive role of site visits in corporate governance and increase both the frequency and scope of site visits to listed firms. Multiple institutions or institutional investors together with small individual investors may jointly conduct site visits so that the influence of institutional investors can be aggregated and their governance effect on listed companies strengthened. Site visits should not become a mere formality. While encouraging institutional investors to enter the market more actively, comprehensive disclosure of conflicts of interest should also be required so that institutional investors can make objective and fair judgments on that basis.

2) Listed Companies

Listed companies should recognize that site visits can positively contribute to their development and should adopt an open and cooperative attitude toward institutional investors by regularly organizing communication activities with investors. Senior executives should disclose corporate information in a timely manner, reduce information asymmetry, improve internal control and supervision, and actively respond to external monitoring. Firms should enhance the efficiency of internal and external information transmission, smooth communication channels with minority shareholders, and better protect minority shareholders' rights to know and participate, thereby enabling them to engage more effectively in corporate governance. At the same time, firms should make full use of the positive role of information disclosure to protect investors' rights and promote sustainable, healthy development.

3) Regulatory Authorities

Regulators should establish and improve the institutional framework for investor research and actively encourage institutional investors to conduct independent market research. Through institutional incentives and related measures, regulators can guide listed companies to hold more investor communication activities on a regular basis and shorten the distance between investors and listed companies. At the same time, supervision should be strengthened to prevent institutional investors and large shareholders from using their informational advantage to damage the interests of minority investors.

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