

Impacts of the China Securities Investor Services Center's Shareholding Exercise on Audit Fees

Sihan Dong

School of Economics and Management, Harbin Institute of Technology (Weihai), Weihai, China.

dongsihan21@126.com

Abstract. Protecting the legitimate rights and interests of small and medium investors is the basis of the sustainable and healthy development of the capital market. The shareholding exercise pilot policy of China Securities Investor Services Center is a major innovation in the protection mechanism of investors' rights and interests. Taking A-share listed companies from 2013 to 2017 as the sample, this paper constructs a difference-in-difference model (DID) to test the impacts of Investor Services Center's shareholding exercise on audit fees of listed companies. The study finds that the Investor Services Center's shareholding exercise significantly reduces the audit fees. The mechanism test results show that Investor Services Center's shareholding exercise can reduce the audit fees by restraining the level of accrued earnings management and agency costs. Further analyses show that the effect of reducing audit fees by Investor Services Center's shareholding exercise is more obvious in larger enterprises with lower proportion of independent directors. This paper enriches the research related to the protection of small and medium-sized investors, clarifies the impact mechanism of investor protection on audit fees, expands the relevant research on the influencing factors of audit fees, and provides theoretical support and suggestions for the relevant policy formulation of the China Securities Investor Services Center.

Keywords: investor protection; audit fees; the DID model.

1. Introduction

The protection of small and medium investors is an important issue facing China's capital market. Due to the high concentration of shareholdings in China and the relative lag in the development of the relevant legal systems, the interests of small and medium shareholders are often encroached on by large shareholders (Allen et al., 2005; Jian et al., 2010; He Huihua and Fang Junxiong, 2021; Zheng Guojian et al., 2021). As of September 2021, the number of individual investors in China's capital market has exceeded 190 million, accounting for more than 99% of all investors. The proportion of small and medium investors with market value of less than 500,000 yuan is 97%. Protecting the legitimate rights and interests of small and medium investors is an important task for the capital market supervision department and the basis for the healthy operation of the capital market. However, due to the disadvantages of small and medium shareholders in obtaining information and professional knowledge, the high cost of safeguarding rights and the weak awareness of self-protection, how to effectively protect the interests of small and medium investors is always a challenging issue (Kong Dongmin et al., 2013; Wei Minghai, 2007). In recent years, the construction of the legal system for investor protection has been gradually improved. The public implementation mechanism is mainly based on the administrative supervision of the China Securities Regulatory Commission (CSRC). At the same time, measures such as online voting, proxy voting, independent directors and cumulative voting system have been introduced to regulate the abuse of control power and strengthen the protection of the rights and interests of minority shareholders (Chen Yunsen et al., 2021; Jiang et al., 2015; Shen Yifeng et al., 2004; Li Wenjing et al., 2012; Tang Yuejun and Xu Fei, 2007; Wang Ronghua, 2011). However, some studies have found that the above measures have not achieved the expected results, and there are selective regulatory actions in the regulatory process. Some western capital market governance mechanisms are not suitable for China's national conditions, and small and medium shareholders still face great difficulties in safeguarding their rights (Chen et al., 2013; Chen Guojin et al., 2005; Xiong Jiakai and Tong Daming, 2022; Song Yunling et al., 2011).

Therefore, an investor protection mechanism to meet the practical demands of small and medium investors in China needs to be established urgently.

In December 2013, the State Council issued the Opinions on Further Strengthening the Protection of the Legal Rights and Interests of Small and Medium Investors in the Capital Market. In December 2014, the China Securities Investor Services Center (hereinafter the "Investor Services Center") came into being. As a securities and financial public welfare institution specializing in investor protection and services, the Investor Services Center holds securities and other varieties for public welfare according to the requirements of the CSRC, and exercises its power as a shareholder. The main functions of the Investor Services Center include pre-exercise of shareholding, mediation of securities and futures disputes in the process, and securities support litigation afterwards, etc. It has formed an "investor services mode" based on investor education and featuring shareholding exercise, rights protection litigation and dispute mediation, which provides education, legal, information, technical and other services for small and medium investors to safeguard their rights independently. Specifically, the shareholding exercise means that the Investor Services Center holds 100 A shares of each listed company in Shanghai and Shenzhen Stock Exchanges, as well as securities such as stocks and depositary receipts that are subsequently transferred to increase its holdings, and exercises the rights of inquiry, suggestion, voting and litigation by itself or jointly with other investors as shareholders in accordance with the law, guiding small and medium investors to exercise their rights actively and protect their rights in accordance with the law through demonstration, and standardizing the governance of listed companies. On February 19, 2016, the CSRC approved the Investor Services Center to carry out pilot shareholding exercise in Shanghai, Guangdong (excluding Shenzhen) and Hunan. During the pilot period, the Investor Services Center sent shareholders' proposal letters to 181 listed companies and made 388 proposals. In 2017, the scope of Investor Services Center's shareholding exercise policy was extended to the whole country. Up to the end of 2021, the Investor Services Center held a total of 4,634 shares of listed companies, exercised shareholders' rights including voting rights and litigation rights 3,990 times in total, supported the litigation with a total amount of approximately 122 million yuan, accepted 14,438 disputes in total, and awarded investors compensation of 2.932 billion yuan. The supervision department in charge of the Investor Services Center and the power of related judicial proceedings will have a significant impact on the majority shareholders and senior executives of listed companies. Therefore, as a public welfare institution, it still has the characteristics of flexible government supervision while providing public welfare services to minority shareholders (Xin Yu et al., 2020). Hence, the establishment of the "regulatory minority shareholder", namely the Investor Services Center, will help to enhance the voice of small and medium investors, play a positive role in strengthening the internal governance and standardizing the operation of listed companies, and will better improve their governance level.

In research on the economic consequences of the Investor Services Center's shareholding exercise, the existing literature is mainly conducted by case analysis. Xin Yu et al. (2020) carried out a case analysis and found that the Investor Services Center has the nature of semi-supervision and semi-public welfare, which can strengthen the protection of small and medium investors. Guo Li (2019) analyzed the rationality of the Investor Services Center in exerting shareholder activism in corporate governance from the perspective of law. However, there are few empirical studies on the effect of the Investor Services Center's shareholding exercise policy. Chen Yunsen et al. (2021) analyzed the influencing factors and information content of the Investor Services Center's participation in the shareholders' meeting from the perspective of market reaction. Ge et al. (2021) studied the impacts of the Investor Services Center's shareholding exercise on the company's earnings management. He Huihua and Fang Junxiong (2021) studied the governance effect of the Investor Services Center from the perspective of financial restatement. Xiong Jiakai and Tong Daming (2022) examined the impacts of Investor Services Center's shareholding on information disclosure. However, the existing literature seldom studies the impacts of the Investor Services Center's shareholding exercise from the perspective of audit fees. In recent years, with the continuous development of China's capital market, the audit fees are an important operating expense in enterprises, and its influencing factors have

become the focus of theoretical and practical circles (Li Chen et al., 2021). The Investor Services Center's shareholding exercise affects the audit fees. As an innovative "semi-public-semi-private" securities regulatory implementation mechanism, the Investor Services Center's shareholding exercise can regulate the information disclosure behavior of listed companies and improve their information disclosure quality (Chen Yunsen et al., 2021; Xiong Jiakai and Tong Daming, 2022), thus lowering the auditor's assessment of the enterprise risk. At the same time, as a regulatory minority shareholder, the Investor Services Center can restrain the large shareholder from encroaching on the interests of the small and medium investors, improve the level of corporate governance, reduce the level of earnings management of the enterprise, and further reduce the auditor's assessment of the enterprise risk. Therefore, the Investor Services Center's shareholding exercise is beneficial to reduce the audit fees of the enterprise. Hence, this paper studies the investor protection function of the Investor Services Center from the perspective of audit fees.

Since the Investor Services Center began to carry out the pilot exercise in Shanghai, Guangdong (excluding Shenzhen) and Hunan from 2016, this paper selects the listed companies in the above three pilot areas as the treatment group, and selects the listed companies in Zhejiang, Shenzhen and Hubei as the control group taking geographical and economic factors into consideration. This paper establishes a DID model to study the impacts of the Investor Services Center's shareholding exercise on audit fees. The results show that the Investor Services Center's shareholding exercise can significantly reduce the audit fees of the enterprise. The mechanism test results show that the Investor Services Center's shareholding exercise can reduce the audit fees by reducing the accrued earnings management and agency costs. In addition, the impacts of the Investor Services Center's shareholding exercise on audit fees are more significant in listed companies with larger size and a smaller proportion of independent directors.

The contributions of this paper are mainly reflected in the following three aspects: First, this paper uses the DID method to test the impacts of the Investor Services Center's shareholding exercise on audit fees, which enriches the research on the economic consequences of the existing investor protection system. The Investor Services Center is an innovative market supervision mechanism with Chinese characteristics. The existing literature mainly analyzes its nature and impacts from the theoretical level together with case studies, and seldom uses empirical methods to study the economic consequences of the Investor Services Center's shareholding exercise. This study finds that the Investor Services Center's shareholding exercise can reduce the audit fees by reducing the company's earnings management level and agency costs, which provides empirical evidence for the effectiveness of the Investor Services Center's shareholding exercise and improves the relevant research on the protection of small and medium investors in China. Secondly, this paper expands the literature on the influencing factors of audit fees. The existing literature mainly focuses on the impacts of corporate characteristics and governance structure, auditor and firm characteristics and external environment on audit fees. Specifically, corporate characteristics and governance structure include executive characteristics (Cai Chun et al., 2015), complexity of business (Guo Fei et al., 2018), equity compensation of the audit committee (Liu Xinming et al., 2021), etc.; auditor and firm characteristics includes audit firm size (Francis & Stokes, 1986), firm brand premium (Cameran et al., 2015), etc.; external environmental aspects include environmental uncertainty (Shen Huihui et al., 2010), financial environment (Zheng Jianming, Sun Shilu, 2021), etc. However, little literature explores the impacts on audit fees from the perspective of minority investor protection. This paper regards the Investor Services Center as an external environmental factor, thus supplementing the existing literature on the influencing factors of audit fees. Finally, this paper has certain policy implications and practical significance. As a regulatory minority shareholder, the Investor Services Center demonstrates the advantages of combining government functions with market participation (Chen Yunsen et al., 2021), which is of great importance to the protection of the rights and interests of small and medium investors and the orderly operation of the capital market. The conclusions of this paper prove the effectiveness of the Investor Services Center's shareholding exercise policy at the empirical level, test the effectiveness of the transformation of China's capital market supervision model to

flexible governance, and provide empirical evidence for formulating and improving the future policy planning of the Investor Services Center. In addition, it also has reference significance for the supervision of other similar emerging development markets and their investor protection.

The following chapters of this paper are arranged as follows: the second chapter puts forward the theoretical analysis and research hypothesis of this paper, the third chapter is the research design of this paper, the fourth chapter is the analysis of empirical results, the fifth chapter is further analysis, and the sixth chapter is conclusion and prospect.

2. Theoretical Analysis and Research Hypothesis

According to the audit risk theory proposed by American Institute of Certified Public Accountants, audit risk consists of inherent risk, control risk and inspection risk. When the audit risk is certain, the higher the inherent risk and control risk of the enterprise, the more time and energy the auditor needs to spend in making rigorous assessment of the inherent risk and control risk of the company in order to reduce the inspection risk and the legal risk and reputation risk that may be faced with litigation as well as ensuring the audit quality. The audit intensity is increased and the audit fees charged by the firm is proportional to the auditor's audit intensity and audit cost, so the audit fees is higher.

For a long time, because the relevant laws and regulations on investor protection in China are not yet perfect, and the supervision of large shareholders and the protection of small and medium investors are relatively weak, many large shareholders encroach on the interests of small shareholders in listed companies, and the exercise of small and medium investors can effectively reduce the agency problem of enterprises, inhibit the tunneling behavior of controlling shareholders, and thus reducing the operating risk of enterprises (Liu Xinming et al., 2021). The Investor Services Center's shareholding exercise can represent the demands of small and medium investors, thus safeguarding their legitimate rights and interests, promoting the listed companies to improve their governance, standardize their operations and maintain the order of the securities market.

Specifically, firstly, the Investor Services Center's shareholding exercise can effectively improve the quality of information disclosure of listed companies, thus reducing the audit fees of enterprises (Xiong Jiakai, Tong Daming, 2022). As a "regulatory minority shareholder", the Investor Services Center can reasonably exercise the rights of proposal, voting rights, litigation rights and other rights, strengthen the external supervision of the enterprise, safeguard the interests of minority shareholders, so as to regulate the information disclosure behavior of listed companies and improve the integrity and accuracy of the information disclosure of listed companies. Meanwhile, the Investor Services Center, as an innovative government supervision model, strengthens the protection of the interests of small and medium investors, thus limiting the encroachment of large shareholders, reducing the earnings management behavior of enterprises, and further improving the quality of information disclosure of the company. Higher quality of information disclosure can reduce the inherent risks of the company, enable the auditor to reduce the assessment of corporate risks, reduce the workload of the auditor, and thus reducing the audit fees.

Secondly, the Investor Services Center's shareholding exercise can improve the level of corporate governance and reduce the audit fees of the enterprise. The existence of the Investor Services Center improves the small and medium investors' right of speech, and the Investor Services Center's shareholding exercise helps more small and medium investors to actively exercise their rights and improve the corporate governance capability. The Investor Services Center's shareholding exercise will not only make the enterprise subject to regulatory penalties, but also the media's extensive coverage and publicity will further expand its influence on public opinion, thus playing a strong external supervisory role on the senior executives and major shareholders of the enterprise (Liu Xinming et al., 2021), urging the management of the enterprise to operate prudently, curbing excessive speculation by major shareholders and improving corporate governance. In addition, the Investor Services Center is not only staffed with professionals, but is also able to cooperate with the regulatory authorities in depth and complement each other with the judicial system, as well as play a

linkage role with the internal governance mechanism of listed companies to make up for the deficiencies of the current internal corporate governance and administrative supervision. Effective corporate governance can reduce earnings management and financial manipulation of listed companies, reduce the risk of material misstatement in the financial statements, reduce the inherent risk or control risk of companies, and thus reduce the audit risk and ultimately reduce audit fees.

Finally, the Investor Services Center's shareholding exercise can improve the quality of internal control, resulting in lower audit fees. The Investor Services Center represents a large number of small and medium investors to exercise their rights in a centralized way. It encourages them to exercise their rights actively and protect their rights in accordance with the law. It can balance the influence of the controlling shareholders in the board of directors, thereby constraining the management and the controlling shareholders from encroaching on the rights and interests of minority shareholders in pursuit of their personal interests, as well as improving the effectiveness of internal control in enterprises (Sun Guangguo and Li Binghui, 2021). Effective internal control can improve the authenticity and reliability of accounting information and can become an important institutional guarantee to improve the quality of accounting information (Zheng Chun et al., 2021). At the same time, effective internal control can reduce the opportunism of the management and controlling shareholders, reduce agency costs, ensure the effectiveness and timeliness of internal and external information transmission, reduce information asymmetry, improve earnings quality, enable auditors to narrow the scope of substantive testing, thus reducing audit fees. Based on this, the following research hypothesis is proposed.

Hypothesis 1a: The Investor Services Center's shareholding exercise will reduce the company's audit fees.

However, some studies have found that small and medium investors' participation in business decisions is limited, which may have a negative impact on corporate governance. There may be opportunistic behaviors in their exercise process, which neglect the long-term development of enterprises for self-interest (Belloc, 2013). In the meantime, small and medium investors have limitations in obtaining, identifying and judging corporate information and professional skills. Excessive participation in corporate decisions may lead to ineffective decisions (Xin Yu, 2020). Zheng Guojian et al. (2016) took "Konka Group Co., Ltd" as an example to analyze the vulnerability of the alliance of small and medium-sized investors, and concluded that small and medium shareholders have limitations in corporate governance, which may cause confusion in corporate governance and operation management. Moreover, higher minority shareholders' participation will put pressure on corporate decision-making, increase corporate pandering behavior, and tend to manipulate earnings (Kong Dongming and Liu Shasha, 2017). Therefore, the exercise of small and medium investors may lower the level of corporate governance, increase the level of corporate earnings management and increase corporate operating risks, which will increase audit risk and audit investment, thus increasing audit fees. Based on this, the following research hypothesis is proposed.

Hypothesis 1b: The Investor Services Center's shareholding exercise will increase the company's audit fees.

3. Research Design

3.1 Sample selection and data sources

Based on the initial samples of listed companies in Shanghai and Shenzhen A shares from 2013 to 2017, this paper excludes financial companies, ST companies and samples missing major variables, and finally obtains 4855 sample observations. The financial data used in this paper are all from CSMAR database. In order to eliminate the influence of outliers on the regression results, this paper performs Winsorize processing of $\pm 1\%$ on continuous variables, and uses Stata 16.0 for statistical analysis.

3.2 Model setting and variable definition

In order to study the impacts of The Investor Services Center's shareholding exercise on audit fees, this paper uses the following DID model to carry out tests.

$$Auditfee = \alpha_0 + \alpha_1 Treat + \alpha_2 Post + \alpha_3 Treat \times Post + Controls + \sum Year + \sum Industry + \varepsilon \quad (1)$$

Table 1. Definition of Variables

Variable type	Variable symbol	Variable name	Variable explanation
Explained variable	<i>Auditfee</i>	Audit fees	Natural logarithm of the current audit fees.
Explanatory variable	<i>Treat</i>	Dummy variable for the location of policy implementation	When the listed company is in the pilot provinces and cities of the Investor Services Center (Guangdong excluding Shenzhen, Shanghai and Hunan), the value is 1, and the value is 0 for enterprises located in Zhejiang, Shenzhen and Hubei.
	<i>Post</i>	Dummy variable for the time of policy implementation	After the Investor Services Center's shareholding exercise pilot policy is implemented, the value is 1. Before the policy is implemented, the value is 0.
	<i>Size</i>	Company size	Natural logarithm of the total assets of the listed company at the end of the year.
	<i>Lev</i>	Asset-liability ratio	Total debt divided by total assets.
	<i>PPE</i>	Fixed assets ratio	Ratio of fixed assets to total assets at the end of the period.
	<i>CFO</i>	Cash flow from operations	Net cash flows from operations divided by total assets.
	<i>ROA</i>	Rate of return on total assets	Net profit divided by total assets.
	<i>Loss</i>	Loss status	An indicator that equals one if a firm's net income is less than zero, and zero otherwise.
	<i>Grow</i>	Corporate growth	The increase in operating income at the end of this year divided by the total operating income at the end of last year.
Controls	<i>Soe</i>	State-owned enterprise	An indicator that equals one if the company is state-owned property, and zero otherwise.
	<i>Indep</i>	Proportion of independent directors	Percentage of independent directors on the board.
	<i>BDsize</i>	Board size	Natural logarithm of the number of board members.
	<i>Dual</i>	The combination of two duties	An indicator that equals one if the duties of chairman and general manager are combined, and zero otherwise.
	<i>Top1</i>	Equity structure	The largest shareholder's shareholding ratio.
	<i>Big4</i>	Audit quality	An indicator that equals one if a firm is audited by a Big 4 auditor, and zero otherwise.

In this model, *Auditfee* is the enterprise audit fees, which is measured by the natural logarithm of the current audit fees of the listed company (Hu Guoqiang et al., 2020). The variable *Treat* indicates whether or not it is a sample of the experimental group. In 2016, the Investor Services Center first conducted a pilot project in Shanghai, Guangdong (excluding Shenzhen) and Hunan. In this paper, listed companies from three regions with similar economic and geographical conditions, namely Zhejiang, Shenzhen and Hubei, are selected as the control group (He Huihua and Fang Junxiong, 2021). Specifically, the value of *Treat* of listed companies in the pilot provinces and cities (Shanghai, Guangdong excluding Shenzhen, and Hunan) of the Investor Services Center is 1, and the value of *Treat* of enterprises in Zhejiang, Shenzhen and Hubei is 0. The dummy variable *Post* represents the implementation time of the Investor Services Center's shareholding exercise. With

reference to the existing research (Liu Xinming et al., 2021; He Huihua, Fang Junxiong, 2021), we define in the pilot area, after 2016, $Post = 1$, and before 2016 $Post = 0$. If the cross-term coefficient $Treat \times Post$ is significantly negative, it indicates that there is a significant negative correlation between the Investor Services Center's shareholding exercise and audit fees.

Meanwhile, consistent with the existing research (Li Chen et al., 2021; Song Jianbo et al., 2018; Hong Jinming et al., 2021), the following Controls are used in this paper: company size (*Size*), asset-liability ratio (*Lev*), fixed assets ratio (*PPE*), cash flow from operations (*CFO*), rate of return on total assets (*ROA*), loss status (*Loss*), corporate growth (*Grow*), state-owned enterprise (*Soe*), proportion of independent directors (*Indep*), board size (*BDsize*), the combination of two duties (*Dual*), equity structure (*Top1*), and audit quality (*Big4*). In addition, this paper also controls industry fixed effect and year fixed effect. For specific definition and calculation of variables, refer to the table 1, definition of variables.

4. Analysis of Empirical Results

4.1 Descriptive statistics

Table 2 presents descriptive statistics for the key variables. It can be found that the average value of *Auditfee* during the sample period is about 13.82, and the standard deviation is 0.642, which is the same as those of the existing literature (Li Chen et al., 2021; Liu Xinming et al., 2021). The average value of the variable *Treat* is 0.460, which indicates that 46% of the samples are in the experimental group. The average value of the variable *Post* is 0.466, which indicates that 46.6% of the samples exist after the implementation of the Investor Services Center's shareholding exercise pilot policy. In addition, the statistics of other variables are within the normal range.

Table 2. Descriptive statistics of main variables

Variable	Observation data	Average value	Standard deviation	1/4 quantile	Median	3/4 quantile
<i>Auditfee</i>	4855	13.82	0.642	13.38	13.71	14.15
<i>Treat</i>	4855	0.460	0.498	0	0	1
<i>Post</i>	4855	0.466	0.499	0	0	1
<i>Size</i>	4855	22.11	1.251	21.21	21.98	22.82
<i>Lev</i>	4855	0.414	0.201	0.251	0.404	0.563
<i>PPE</i>	4855	0.195	0.154	0.0730	0.164	0.283
<i>CFO</i>	4855	0.0420	0.0710	0.00500	0.0420	0.0830
<i>ROA</i>	4855	0.0440	0.0560	0.0170	0.0420	0.0710
<i>Loss</i>	4855	0.0800	0.271	0	0	0
<i>Grow</i>	4855	0.217	0.472	-0.00200	0.126	0.297
<i>Soe</i>	4855	0.292	0.455	0	0	1
<i>Indep</i>	4855	37.59	5.459	33.33	33.33	42.86
<i>BDsize</i>	4855	8.508	1.657	7	9	9
<i>Dual</i>	4855	0.308	0.462	0	0	1
<i>Top1</i>	4855	33.66	14.46	21.99	31.68	43.32
<i>Big4</i>	4855	0.0600	0.237	0	0	0

4.2 Analysis of empirical results

In order to test the impacts of the Investor Services Center's shareholding exercise on audit fees, model (1) is used for empirical test. The regression results of the impacts of the Investor Services Center's shareholding exercise on audit fees of listed companies are shown in Table 3. Columns (1) and (2) of Table 3 show the regression results of the model without or with control variables, respectively. The results in column (1) show that, with absence of control variables, the coefficient of $Treat \times Post$ is -0.080, which is significantly negative at 5%. After adding the control variables, the empirical result is shown in column (2) of Table 3, with a coefficient of $Treat \times Post$ at -0.052, which is still significantly negative at 5%. The empirical results show that the Investor Services

Center's shareholding exercise can effectively reduce the audit fees of listed companies, which verifies the hypothesis 1a in this paper. At the same time, the regression results of control variables show that company size (Size), asset-liability ratio (Lev), cash flow from operating activities (CFO), Loss status of the company (Loss) and Big4 are significantly positively correlated with audit fees, while fixed assets ratio (PPE), rate of return on total assets (ROA), nature of property rights (Soe), the combination of two duties (Dual), the largest shareholder shareholding ratio (Top1) are significantly negatively correlated with audit fees.

Table 3. Impacts of the Investor Services Center's shareholding exercise on audit fees

Variable name	(1)	(2)
	<i>Auditfee</i>	<i>Auditfee</i>
<i>Treat</i> × <i>Post</i>	-0.080** (-2.21)	-0.052** (-2.42)
<i>Treat</i>	0.098*** (3.82)	0.044*** (2.94)
<i>Post</i>	0.318*** (9.91)	0.152*** (7.67)
<i>Size</i>		0.379*** (52.82)
<i>Lev</i>		0.126*** (3.34)
<i>PPE</i>		-0.141*** (-2.99)
<i>CFO</i>		0.231*** (2.63)
<i>ROA</i>		-0.482*** (-3.13)
<i>Soe</i>		-0.055*** (-3.77)
<i>Loss</i>		0.087*** (3.15)
<i>Grow</i>		0.002 (0.17)
<i>Indep</i>		-0.001 (-1.08)
<i>BDsize</i>		-0.006 (-1.29)
<i>Dual</i>		-0.032*** (-2.68)
<i>Top1</i>		-0.001*** (-3.46)
<i>Big4</i>		0.529*** (17.37)
<i>Constant</i>	13.558*** (112.43)	5.575*** (33.36)
<i>Year</i>	YES	YES
<i>Industry</i>	YES	YES
N	4855	4855
Adjusted R ²	0.081	0.668

Note: ***, **, * are significant at the statistical level of 1%, 5% and 10% respectively, with t value in brackets, the following tables will follow the above illustration.

4.3 The robustness tests

4.3.1 Adjust the sample time window

The stock market dropped dramatically in 2015, but the year 2015 was not excluded from the above regression analysis. Therefore, in order to avoid the impacts of this event on audit fees, in the robustness test, the year 2015 sample is removed and Post is redefined. When the year is 2013 or 2014, the value of Post is 0; when the year is 2016 or 2017, the value of Post is 1. In this case, the model (1) is regressed again, and columns (1) and (2) of Table 4 show the regression results of the model without and with control variables, respectively. The results in column (1) show that, with absence of control variables, the coefficient of $Treat \times Post$ is -0.092, which is significantly negative at 5%. After adding the control variables, the empirical result is shown in column (2) of Table 4, with a coefficient of $Treat \times Post$ at -0.067, which is significantly negative at 1%. At this point, it can be concluded that the audit fees of listed companies in the pilot area decrease significantly at 1% level after the Investor Services Center's shareholding exercise pilot policy is implemented. The conclusion of hypothesis 1a in this paper is robust.

As the Investor Services Center's shareholding exercise was extended from the pilot area to the whole country in May 2017, the situation of the control group changed, which may lead to inaccurate results. Therefore, this paper excludes the sample of 2017, and only uses the sample of 2016 to represent the implementation of the Investor Services Center's shareholding exercise and redefine Post. When the year is 2013, 2014 or 2015, Post equals zero; when the current year is 2016, Post equals one. In this way, the model (1) is regressed again, and columns (3) and (4) of Table 4 show the regression results of the model controlling for year fixed effect only and for both industry and year fixed effects, respectively. The results in column (3) show that without controlling for industry fixed effect, the coefficient of $Treat \times Post$ is -0.028, which is significantly negative at the 5% level. After controlling for both industry and year fixed effects, the empirical result is shown in column (4) of Table 4, with a coefficient of $Treat \times Post$ at -0.053, which is significantly negative at the 10% level. At this point, it can be concluded that the audit fees of listed companies in the pilot area decrease significantly at the 10% level after the Investor Services Center's shareholding exercise pilot policy is implemented. The conclusion of Hypothesis 1a in this paper is robust.

4.3.2. Time-varying DID

In 2017, the Investor Services Center's shareholding exercise policy implemented by the China Securities Investors Services Center was extended from some pilot areas to the whole country. Therefore, for different regions in China, the implementation time of the Investor Services Center policy is different. Under such circumstances, the time-varying DID model can better deal with different time points. Hence, this paper constructs a time-varying DID model.

$$Auditfee = \beta_0 + \beta_1 Post + Controls + \sum Year + \sum Industry + \mu \quad (2)$$

The model is selected for a sample period of 2013-2020. We redefine the Post variable so that when the firm is located in Shanghai, Guangdong (except Shenzhen), and Hunan: Post equals 0 when the time is before 2016, and Post equals 1 for 2016 and subsequent years; when the firm is located in Zhejiang Province, Shenzhen, and Hubei Province: Post equals 0 when the time is before 2017, and Post equals 1 for 2017 and subsequent years. In this way, the model (2) is regressed, and columns (5) and (6) of Table 4 show the regression results of the model without and with control variables, respectively. The results in column (5) show that, with absence of control variables, the coefficient of $Treat \times Post$ is -0.063, which is significantly negative at 1%. After adding the control variables, the empirical result is shown in column (6) of Table 4, with a coefficient of $Treat \times Post$ at -0.034, which is significantly negative at 1%. We can conclude that the audit fees of listed companies in the pilot areas have significantly decreased at 1% level after the Investor Services Center's shareholding exercise. The conclusion of hypothesis 1a in this paper is robust.

Table 4. Results of the robustness tests

Variable name	(1)	(2)	(3)	(4)	(5)	(6)
	<i>Auditfee</i>	<i>Auditfee</i>	<i>Auditfee</i>	<i>Auditfee</i>	<i>Auditfee</i>	<i>Auditfee</i>
<i>Treat</i> × <i>Post</i>	-0.092** (-2.24)	-0.067*** (-2.80)	-0.028** (-2.20)	-0.053* (-1.92)		
<i>Treat</i>	0.109*** (3.37)	0.059*** (3.23)	0.066 (0.33)	0.040*** (2.67)		
<i>Post</i>	0.323*** (9.95)	0.162*** (7.97)	0.147*** (11.70)	0.101*** (4.69)	-0.063*** (-3.70)	-0.034*** (-3.19)
<i>Size</i>		0.379*** (47.59)	0.308*** (24.72)	0.380*** (43.88)		0.377*** (76.03)
<i>Lev</i>		0.120*** (2.86)	0.060 (1.43)	0.124*** (2.84)		0.121*** (4.34)
<i>PPE</i>		-0.115** (-2.18)	0.036 (0.61)	-0.151*** (-2.84)		-0.149*** (-4.15)
<i>CFO</i>		0.202** (2.07)	0.200*** (3.32)	0.192** (1.96)		0.295*** (4.56)
<i>ROA</i>		-0.498*** (-2.88)	0.168 (1.39)	-0.412** (-2.32)		-0.682*** (-6.98)
<i>Soe</i>		-0.053*** (-3.26)	0.029 (0.61)	-0.043*** (-2.67)		-0.075*** (-6.92)
<i>Loss</i>		0.100*** (3.20)	0.028* (1.68)	0.078** (2.45)		0.069*** (3.66)
<i>Grow</i>		-0.011 (-0.74)	0.006 (0.77)	0.004 (0.27)		0.005 (0.41)
<i>Indep</i>		-0.002 (-1.28)	0.001 (0.56)	-0.001 (-0.75)		-0.001 (-1.26)
<i>BDsize</i>		-0.005 (-0.89)	0.008 (1.50)	-0.006 (-1.04)		-0.005 (-1.32)
<i>Dual</i>		-0.028** (-2.13)	-0.030** (-2.30)	-0.040*** (-2.91)		-0.014 (-1.62)
<i>Top1</i>		-0.001** (-2.54)	-0.000 (-0.08)	-0.002*** (-3.44)		-0.001*** (-3.68)
<i>Big4</i>		0.523*** (15.52)	0.085* (1.75)	0.544*** (15.24)		0.524*** (25.32)
<i>Constant</i>	13.580*** (94.49)	5.571*** (29.67)	6.729*** (22.75)	5.534*** (27.74)	13.797*** (128.43)	5.719*** (47.47)
<i>Year</i>	YES	YES	YES	YES	YES	YES
<i>Industry</i>	YES	YES	NO	YES	YES	YES
<i>N</i>	3896	3896	3657	3657	9112	9112
Adjusted R ²	0.087	0.673	0.240	0.669	0.092	0.675

4.3.3 Parallel trend test

Being consistent with the parallel trend hypothesis test is an important premise of the DID model, that is, it is necessary to test that the audit fees of listed companies in the treatment group and the control group have the same variation trend before Investor Services Center's shareholding exercise. In order to test the parallel trend, we add the cross-product term of the dummy variable and the variable *Treat* at each time point in the regression. With reference to the research of Ke and Zhang (2021), the model is constructed as follows:

$$Auditfee = \alpha_0 + \alpha_1 Before2 + \alpha_2 Before1 + \alpha_3 Current + \alpha_4 After1 + Controls + \sum Year + \sum Industry + \varepsilon \quad (3)$$

Table 5. Parallel trend test

Variable name	(1)
	<i>Auditfee</i>
<i>Before2</i>	-0.019 (-1.32)
<i>Before1</i>	-0.019 (-1.32)
<i>Current</i>	-0.032** (-2.34)
<i>After1</i>	-0.028** (-2.01)
<i>Size</i>	0.373*** (60.47)
<i>Lev</i>	0.027 (1.17)
<i>PPE</i>	-0.013 (-0.40)
<i>CFO</i>	0.185*** (5.20)
<i>ROA</i>	0.002 (0.03)
<i>Soe</i>	0.028 (1.23)
<i>Loss</i>	0.025*** (2.73)
<i>Grow</i>	0.009** (2.00)
<i>Indep</i>	-0.000 (-0.13)
<i>BDsize</i>	0.005 (1.54)
<i>Dual</i>	-0.001 (-0.13)
<i>Top1</i>	0.001*** (3.45)
<i>Big4</i>	0.190*** (7.94)
<i>Constant</i>	5.293*** (37.46)
<i>Year</i>	YES
<i>Industry</i>	YES
N	12351
Adjusted R ²	0.398

Specifically, when the observed value is the data of enterprises in Shanghai, Guangdong (excluding Shenzhen) and Hunan in 2016, Current equals one; otherwise, it is equal to zero. When the observed value is the data of the second year before the implementation of the investment service center shareholding exercise policy for enterprises in Shanghai, Guangdong (except Shenzhen) and Hunan, Before2 is equal to one; otherwise, it equals zero. When the observed value is the data of the first year before the implementation of the investment service center shareholding exercise policy for enterprises in Shanghai, Guangdong (except Shenzhen) and Hunan, Before1 is equal to one; otherwise, it equals zero. When the observed value is the data of the first year after the implementation of the policy in Shanghai, Guangdong (excluding Shenzhen) and Hunan, After1 is equal to one; otherwise, it equals zero. In order to avoid the problem of complete collinearity, the third year before the implementation of the policy (Before3) is taken as the benchmark group. If the estimated

coefficients α_1 , α_2 of Before2, Before1 are not significantly different from 0, it proves that there is no significant difference in audit fees of listed companies in the control group and the experimental group, and there is a parallel trend in the first and second years before the Investor Services Center's shareholding exercise.

The regression results are shown in Table 5. α_1 , α_2 are not significantly different from 0 and have no specific change rule. The parallel trend test results are shown in Figure 1. In Figure 1, the vertical axis represents the magnitude of the estimated coefficients of the impacts of the Investor Services Center's shareholding exercise on the audit fees at different time points, and the horizontal axis represents the relative time before and after the implementation of Investor Services Center's shareholding exercise policy. Current represents the initial period of policy implementation. This means that when the horizontal axis is 0, the dotted line above and below the solid point represents a 95% confidence interval. It can be seen from the figure that 95% of the confidence intervals of α_1 , α_2 all contain 0, which verifies the hypothesis of parallel trend and proves that the model in this paper is effective. The estimated coefficients α_3 , α_4 of Current, After1 are all significantly negative, indicating that the Investor Services Center's shareholding exercise will reduce the audit fees of listed companies, which further proves the conclusion of this paper.

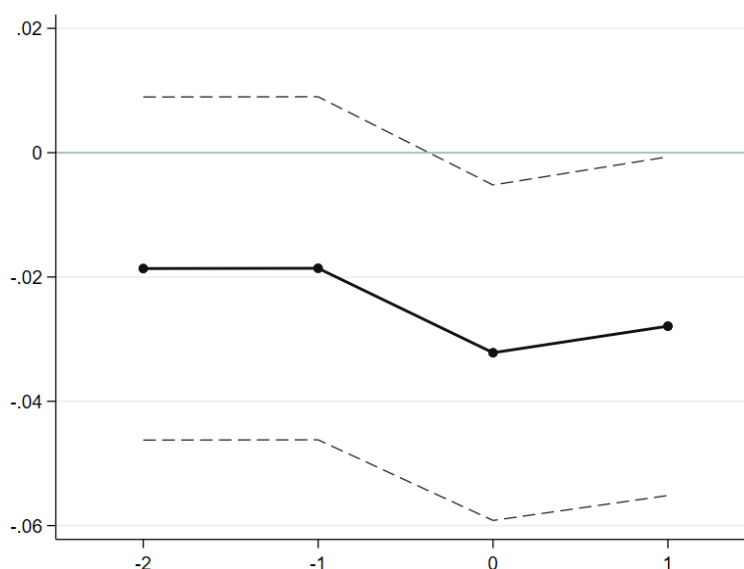


Fig 1. α estimation coefficient and 95% confidence interval

5. Further analyses

5.1 The mediating effect analyses

5.1.1 Accrued earnings management

According to the analysis of audit risk model, the exercise of regulatory minority shareholders can reduce the inherent risk and control risk of audit faced by certified public accountants by reducing the level of corporate earnings management, and reduce time and effort spent on audits, thus reducing the audit costs of enterprises. Healy (1985) found a significant positive correlation between accrued earnings management and audit fees. In this paper, the discretionary accruals calculated by the modified Jones model (Dechow et al., 1995) are used to measure the accrued earnings management (DA), and the absolute value of DA is used to examine the overall degree of accrued earnings management (Wei Zhen, 2019). The regression results in column (1) of Table 5 show that the regression coefficient of the Investor Services Center's exercise (Treat×Post) corresponding to accrual earnings management is -0.009, which is significant at the statistical level of 10%, indicating that the Investor Services Center's shareholding exercise has a significant inhibitory effect on the accrual earnings management behavior of the company. It can be seen that the exercise of minority

shareholders can indeed reduce the audit fees of the company by reducing the degree of accrued earnings management.

5.1.2 Agency costs

Table 6. Mechanism regression results

Variable name	(1)	(2)
	<i>DA</i>	<i>AC</i>
<i>Treat</i> × <i>Post</i>	-0.009* (-1.88)	-0.004*** (-2.93)
<i>DA</i>		
<i>AC</i>		
<i>Treat</i>	0.005* (1.81)	0.001 (1.18)
<i>Post</i>	0.004 (1.16)	0.001 (0.42)
<i>Size</i>	-0.007*** (-4.84)	-0.000 (-0.07)
<i>Lev</i>	0.036*** (4.06)	0.018*** (7.56)
<i>PPE</i>	-0.006 (-0.61)	-0.024*** (-9.07)
<i>CFO</i>	-0.269*** (-8.00)	-0.012 (-1.61)
<i>ROA</i>	0.211*** (4.31)	-0.040*** (-3.96)
<i>Soe</i>	-0.008** (-2.43)	-0.003*** (-3.45)
<i>Loss</i>	0.034*** (5.65)	0.001 (0.74)
<i>Grow</i>	0.018*** (4.49)	0.000 (0.12)
<i>Indep</i>	0.000 (0.88)	0.000 (0.97)
<i>BDsize</i>	-0.001 (-1.13)	0.001*** (2.93)
<i>Dual</i>	-0.001 (-0.30)	-0.001 (-1.22)
<i>Top1</i>	0.000* (1.88)	-0.000** (-2.13)
<i>Big4</i>	0.001 (0.24)	0.000 (0.24)
<i>Constant</i>	0.192*** (6.04)	0.020* (1.88)
<i>Year</i>	YES	YES
<i>Industry</i>	YES	YES
<i>N</i>	4680	4679
Adjusted R ²	0.116	0.128

Conflicts of interest between large shareholders and small and medium shareholders will increase the second-type agency costs and the audit risk of auditors, resulting in an increase in audit fees, that is, the higher the second-type agency costs, the higher the audit fees. The exercise and supervision of the Investor Services Center will reduce the degree of information asymmetry between the large shareholders and the small and medium shareholders as well as the possibility of the large shareholders infringing the interests of the small and medium shareholders; thus, inhibiting the agency conflict between the large shareholders and the small and medium shareholders, and reducing

the second type of agency costs. Therefore, the audit risk and costs are reduced, ultimately reducing the audit fees. Referring to the existing research (Ma Dongshan and Han Liangliang, 2018), this paper uses the ratio of other receivables to the total assets of the company to measure the second-type agency costs (SC). The regression results in column (2) of Table 5 show that the regression coefficient of the Investor Services Center's shareholding exercise ($Treat \times Post$) to agency cost is -0.004, and it is significantly negative at the statistical level of 1%, which indicates that the Investor Services Center's shareholding exercise can significantly reduce the second-type agency costs of a company, thus further reducing the audit fees of a company.

5.2 Impacts of company size

Table 7. Investor Services Center's shareholding exercise and audit fees——impacts of company size

Variable name	Small-size company	Large-size company
	(1) <i>Auditfee</i>	(2) <i>Auditfee</i>
<i>Treat</i> × <i>Post</i>	-0.035 (-1.34)	-0.105*** (-3.01)
<i>Treat</i>	0.016 (0.57)	0.125** (2.52)
<i>Post</i>	0.272*** (11.21)	0.340*** (11.68)
<i>Lev</i>	0.299*** (4.13)	0.904*** (7.21)
<i>PPE</i>	-0.152 (-1.44)	-0.169 (-1.09)
<i>CFO</i>	0.324** (2.55)	0.257 (1.12)
<i>ROA</i>	-0.388* (-1.76)	0.564 (1.40)
<i>Soe</i>	-0.023 (-0.59)	0.022 (0.46)
<i>Loss</i>	0.015 (0.45)	0.042 (0.66)
<i>Grow</i>	0.018 (1.01)	0.005 (0.17)
<i>Indep</i>	0.000 (0.00)	0.007 (1.53)
<i>BDsize</i>	0.023** (2.34)	0.027 (1.64)
<i>Dual</i>	-0.025 (-1.15)	-0.088** (-2.17)
<i>Top1</i>	0.000 (0.52)	-0.001 (-0.50)
<i>Big4</i>	0.437*** (4.23)	0.895*** (9.87)
<i>Constant</i>	13.126*** (63.41)	12.956*** (27.81)
<i>Year</i>	YES	YES
<i>Industry</i>	YES	YES
<i>N</i>	2448	2407
Adjusted R ²	0.230	0.361

Companies with different sizes differ in many aspects, such as organizational structure and business volume. Therefore, the impacts on audit fees are different after the implementation of the Investor Services Center's shareholding exercise policy. In larger companies, the organization

structure and business are usually more complex, and the business volume and the industry span are larger, which make the audit sampling size larger and the audit risk faced by auditors is higher (Jiang Yihong et al., 2004). Audit fees will increase with the size of the company (Zhang Shuhui and Luo Mengmao, 2016).

In order to study whether there is any difference in the effect of Investor Services Center's shareholding exercise in reducing audit fees under different firm sizes, consistent with the existing studies (Cai Chun et al., 2015; Chemmanur et al., 2014), this paper selects the natural logarithm of the total assets of listed companies at the end of the year to measure the size of the company, and divides the samples into large-size companies and small-size companies based on the annual median of all company sizes. The results are shown in Table 7. The coefficient of $Treat \times Post$ is -0.105 in the group with larger company size, which is significant at the statistical level of 1%; while the coefficient of $Treat \times Post$ is not significant in the group with smaller company size. The Fisher's Permutation test (Lian Yujun and Liao Junping, 2017) on the coefficient between the groups proves that there is a significant difference between the intergroup coefficients of the two groups, with the corresponding p-value of 0.1636. It shows that the effect of reducing audit fees by the Investor Services Center's shareholding exercise is more obvious in larger companies.

5.3 Impacts of the independent director's supervisory role

Independent directors play an important supervisory role in business decisions and play a positive role in the quality of accounting information (Zheng Chunmei et al., 2021; Cai Jifu, 2007). Due to the different degrees of supervision by independent directors of different enterprises, the effects of the Investor Services Center's shareholding exercise are different among different enterprises. When the supervision of the independent directors of the enterprise is stronger, the behavior of the majority shareholders to gain private interests by manipulating the operation decisions will be more strongly curbed, and the audit risk becomes relatively small. In this way, the Investor Services Center, as a regulatory minority shareholder, plays little role. In contrast, the enterprises with weak independent directors' supervision have weak internal supervision on the majority shareholders, less disincentive to opportunistic behavior of controlling shareholders, and the standardization and quality of information disclosure are lower. In this way, the Investor Services Center's shareholding exercise can play a linkage role in the internal corporate governance mechanism, thus reducing audit risk and achieving a more significant effect on reducing the audit fees of enterprises.

Therefore, in order to test whether there is any difference in audit fees reduction effect of the Investor Services Center's shareholding exercise in the enterprises with different independent directors' supervisory roles, this study measures the independent directors' supervisory efforts based on the ratio of the number of independent directors to the total number of the board of directors (Li Wengui and Yan Han, 2020). According to the annual median proportion of independent directors, the sample is divided into two groups for grouping regression. The test results are shown in Table 8. The results show that the coefficient of $Treat \times Post$ is -0.058 in enterprises with relatively low proportion of independent directors, which is significant at the statistical level of 5%; while the coefficient of $Treat \times Post$ is -0.046 in enterprises with relatively high proportion of independent directors, which is significant at the statistical level of 10%. It can be seen that the absolute value and significance of the regression coefficient of the sample with less supervision by independent directors are higher than those of the sample with greater supervision by independent directors. Through the Fisher's Permutation test (Lian Yujun and Liao Junping, 2017), it is proved that there is a significant difference between the intergroup coefficients of the two groups, with the corresponding p-value of 0.043, which further indicates that in the enterprises with weak independent director supervision, the Investor Services Center's shareholding exercise can more effectively reduce the operating risk of the company, thus helping to reduce the litigation risk that the auditor may face and the possibility of significant errors in the financial statements. In this way, it significantly reduces the audit risk and audit cost, ultimately leading to lower audit fees.

Table 8. Investor Services Center's shareholding exercise and audit fees --impacts of independent directors' supervisory role

Variable name	Low proportion of independent directors	High proportion of independent directors
	(1)	(2)
	<i>Auditfee</i>	<i>Auditfee</i>
<i>Treat</i> × <i>Post</i>	-0.058** (-2.20)	-0.046* (-1.74)
<i>Treat</i>	0.038 (1.31)	0.048 (1.47)
<i>Post</i>	0.136*** (5.77)	0.165*** (6.09)
<i>Size</i>	0.391*** (24.31)	0.366*** (20.69)
<i>Lev</i>	0.094 (1.15)	0.157** (1.99)
<i>PPE</i>	-0.062 (-0.57)	-0.247** (-2.25)
<i>CFO</i>	0.255* (1.74)	0.185 (1.19)
<i>ROA</i>	-0.514* (-1.72)	-0.497* (-1.82)
<i>Soe</i>	-0.072** (-2.20)	-0.039 (-1.02)
<i>Loss</i>	0.059 (1.16)	0.112*** (2.64)
<i>Grow</i>	-0.007 (-0.36)	0.011 (0.51)
<i>BDsize</i>	-0.020 (-1.41)	-0.001 (-0.07)
<i>Dual</i>	-0.034 (-1.29)	-0.031 (-1.28)
<i>Top1</i>	-0.002* (-1.66)	-0.001 (-1.24)
<i>Big4</i>	0.556*** (8.33)	0.521*** (6.29)
<i>Constant</i>	5.508*** (14.35)	5.603*** (15.51)
<i>Year</i>	YES	YES
<i>Industry</i>	YES	YES
<i>N</i>	2596	2259
Adjusted R ²	0.649	0.690

6. Conclusion and Prospects

Due to the shareholdings of listed companies in China are relatively concentrated and the legal system related to the protection of small and medium sized investors is not yet sound, the problem of large shareholders encroaching on the interests of small and medium shareholders has long existed. As an important innovation in the small and medium investors' protection system of the regulatory authorities in China, the China Securities Investors Service Center can help small and medium investors to exercise their rights actively, thus effectively reducing business risks. As an important operating expense of an enterprise, audit fees can reflect the effect of the Investors Service Center's exercise. Therefore, this paper constructs a DID model to explore the impacts of Investors Service Center's shareholding exercise on audit fees. The study finds that after the Investors Service Center's shareholding exercise, audit fees of the enterprise can be significantly reduced, and the reliability of

the conclusion is verified by adjusting the sample time window and the time-varying DID model. In the meantime, this paper finds that the Investors Service Center's shareholding exercise can play its role by reducing the accrued earnings management and agency costs, thus reducing the audit fees. In addition, further analyses finds that when the size of enterprise is larger and the proportion of independent directors is smaller, the effectiveness of Investors Service Center's shareholding exercise in reducing audit fees is more significant.

The empirical research in this paper verifies the effectiveness of the Investors Service Center's shareholding exercise on investor protection, and provides a new perspective for the existing research on the protection of small and medium investors. In this research, the following policy implications can be drawn: Investors Service Center can cooperate with other external supervision institutions and strengthen the cooperation with exchanges, auditors, institutional investors and independent directors, etc. so as to form a synergy for investor rights protection, thus strengthening its own supervisory function, highlighting the demonstration function of shareholding exercise, and making up for the deficiencies in the current internal governance and administrative supervision of listed companies in China in a gentle but powerful way. At the same time, small and medium investors should make full use of the Investors Service Center's functions to actively exercise their own rights, raise the awareness of safeguarding their rights according to the law, protect their own interests and improve the corporate governance environment. In addition, the managements of the enterprise should give full play to the supervisory role of independent directors, reduce the information asymmetry between large shareholders and small and medium shareholders, reduce the agency costs and accrual earnings management level of the enterprise, actively improve the level of corporate governance, and promote the sustainable and healthy development of China's capital market.

References

- [1] Allen, F., Qian, J., and Qian, M. J., "Law, Finance, and Economic Growth in China", *Journal of Financial Economics*, 2005, 77(1): 57-116.
- [2] Belloc, F., "Law, Finance and Innovation: The Dark Side of Shareholder Protection", *Cambridge Journal of Economics*, 2013, 37(4).
- [3] Bo Xianhui, Wu Liansheng, "Earnings Management, Information Risk and Audit Opinion", *Auditing Research*, 2011(1): pp.90-97.
- [4] Cai Chun, Xie Liufang and Ma Kenana, "Managers' Audit Background, Earnings Management and Abnormal Audit Fees", *Accounting Research*, 2015(3): pp. 72-78+95.
- [5] Cai Jifu, "Research on the Relationship among Corporate Governance, Audit Risk and Audit Expenses", *Auditing Research*, No.3, 2007(3): pp. 65-71.
- [6] Cameran Mara, Francis Jere, R., Marra Antonio, and Pettinicchio Angela., "Are There Adverse Consequences of Mandatory Auditor Rotation? Evidence from the Italian Experience", *AUDITING: A Journal of Practice & Theory*, 2015, 34(1).
- [7] Chen Guojin, Zhao Xiangqin and Lin Hui, "Listed Companies Fraud Punishment and Investor Protection", *Journal of Finance and Economics*, 2005(8): pp. 48-58.
- [8] Chen, Z., Ke, B., and Yang, Z., "Minority Shareholders' Control Rights and the Quality of Corporate Decisions in Weak Investor Protection Countries: A Natural Experiment from China", *Accounting Review*, 2013, 88(4): 1211-1238.
- [9] Chemmanur, T. J., Loutskina, E., and Tian, X., "Corporate Venture Capital, Value Creation, and Innovation", *Social Science Electronic Publishing*, 2011, 27(8): 2434-2473.
- [10] Chen Yunsen, Yuan Wei and Li Zhe, "Effectiveness of Regulatory Minority Shareholders' Right Exercise: Evidence from China Securities Investor Services Center", *Management World*, vol. 37, No.6, 2021: pp. 142-158+9+160-162.
- [11] Francis, Jr. and Stokes, Dj, "Audit Prices, Product Differentiation, and Scale Economies: Further Evidence from the Australian Market", *Journal of Accounting Research*, 1986, 24(2): pp. 383-393.

- [12] Ge, W., Ouyang, C., Shi, Z., and Chen Z., “Can a Not-for-profit Minority Institutional Shareholder Make a Big Difference in Corporate Governance? A Quasi-natural Experiment”, *Journal of Corporate Finance*, 2021(prepublish).
- [13] Guo Fei, Yuan Pan and Zhou Jianwei, “Does Complexity of Financial Derivatives Affect Audit Fee? — An Empirical Study on Chinese Listed Commercial Banks”, *Accounting Research*, 2018(7): pp. 72-78.
- [14] Guo Li, “Investor Protection Agency as an Active Shareholder-An Analysis Based on Investor Services Center”, *Legal Science*, 2019(8): pp. 148-159.
- [15] He Huihua and Fang Junxiong, “The Governance Effects of Regulatory Minority Shareholders: Evidence from Financial Restatement”, *Management World*, 2021, 37(12): pp. 176-195.
- [16] Healy, P. M., “The Impact of Bonus Schemes on the Selection of Accounting Principles”, *Journal of Accounting and Economics*, 1985, 7(4): pp. 85-107.
- [17] Hong Jinming, Lin Runyu and Cui Zhikun, “Corporate Risk-taking, Audit Effort and Audit Opinion”, *Auditing Research*, 2021(3): pp. 96-105.
- [18] Hu Guoqiang, Fu Shaozheng and Zhu Jinyu, “Lower hierarchy of Fair Value Measurements Causes Higher Audit Fees? --Evidence from China's Listed Banks”, *Accounting Research*, 2020(5): pp. 17-29.
- [19] Jiang, F., and Kim, K. A., “Corporate Governance in China: A modern Perspective”, *Journal of Corporate Finance*, 2015, 32(3): pp. 190-216.
- [20] Jiang Yihong, Xue Shuang and Cheng Yu, “Determinants of Audit Fees-An Empirical Study Based on the Simunic Model”, *Proceedings of the 2nd Session of the 6th Council of China Accounting Society and the 2004 Annual Academic Conference (2)*, 2004, pp. 78-83.
- [21] Ke, B., and Zhang, X.J., “Does Public Enforcement Work in Weak Investor Protection Countries? Evidence from China”, *Contemporary Accounting Research*, 2021, 38(2).
- [22] Kong Dongmin and Liu Shasha, “Minority Shareholder Participation, Corporate Decisions, and Corporate Governance”, *Management World*, 2017(9): pp. 101-115+188.
- [23] Kong Dongmin, Liu Shasha, Li Wenjing and Xing Jingping, “Is Silence Rational? Minority Shareholder Participation, Governance and Investor Protection”, *China Economic Quarterly*, 2013, 12(1): pp. 1-28.
- [24] Li Chen, Liu Wei and You Jiaying, “Top Management Team Incentive Dispersion and Audit Fees”, *Auditing Research*, 2021(3), pp. 72-83.
- [25] Li Wengui and Yan Han, “Young Executives and Stock Price Crash Risk: Evidence from the Agency conflict view”, *Economic Theory and Economic Management*, 2020(11): pp. 72-86.
- [26] Li Wenjing, Kong Dongmin, Liu Shasha and Xing Jingping, “Can Small and Medium Shareholders Only Take ‘Free Ride’? —Empirical Evidence from Public Shareholders' Online Voting in Shenzhen Stock Exchange”, *Journal of Financial Research*, 2012(3): pp. 152-165.
- [27] Lian Yujun and Liao Junping, “How to Test the Coefficient Difference between Groups after Grouping Regression?”, *Journal of Zhengzhou University of Aeronautics*, 2017,35(6): pp. 97-109.
- [28] Liu Xinming, Wu Haoxiang, Hu Feng and Wang Jiani, “Is Minority Shareholders’ Right Exercise Related to Audit Fees”, *Auditing Research*, 2021(6): pp. 80-89.
- [29] Ma Dongshan and Han Liangliang, “Economic Policy Uncertainty and Audit Fees: A Test of Mediating”, *Contemporary Finance & Economics*, 2018(11): pp. 111-122.
- [30] M. Jian, and T. J. Wong, “Propping through Related Party Transactions”, *Review of Accounting Studies*, 2010, 15(1).
- [31] Shen Huihui, Wu Liansheng and Xiao Zezhong, “Environmental Uncertainty and Audit Opinion: An Investigation Based on Ownership Structure”, *Accounting Research*, 2010(12): pp. 57-64.
- [32] Shen Yifeng, Xu Nianhang and Yang Yi, “Test on the Law Protection of Minority Investors in Different Stages”, *Economic Research Journal*, 2004(9): pp. 90-100.
- [33] Song Jianbo, Wen Wen, Wang Dehong and Shen Wei, “Managerial Power, Internal and External Monitoring and Corporate Risk-taking”, *Economic Theory and Economic Management*, 2018(6): pp. 96-112.
- [34] Song Yunling, Li Zhiwen and Ji Xinwei, “The Punishment Effect of China's Securities Supervision from the Violation of Performance Forecast”, *Journal of Financial Research*, 2011(6): pp. 136-149.

- [35] Sun Guangguo and Li Binghui, “Research on the Theoretical Framework for Evaluating the Effectiveness of Internal Control-Based on the Perspective of Investor Protection”, *Research on Financial and Economic Issues*, 2014(2): pp. 95-101.
- [36] Tang Yuejun and Xu Fei, “Does Independent Director Protect Rights and Interests of Small and Medium Shareholders? — — Research on Voting Mechanisms of Chinese Listed Companies”, *Economic Management in China*, 2007(7): pp. 42-47.
- [37] Wang Ronghua, “Improving Corporation Governance to Enhance Legal Protection of Medium and Small Shareholders' Right in State-owned Enterprise”, *Academic Exchange*, 2011(2): pp. 52-55.
- [38] Wei Minghai, Chen Shenglan and Li Wenjing, “A Review of the Empirical Research on Investor Protection: The Role of Financial Accounting Information”, *China Accounting Review*, 2007(1): pp. 131-150.
- [39] Wei Zhen, “Research on the Correlation between Executive Compensation, Earnings Management and Audit Fees”, *On Economic Problems*, 2019(2): pp. 116-121+128.
- [40] Xin Yu, Huang Xinyi and Ji Beibei, “Nonprofit Organization for Investor Protection and Shareholder Litigation in China: A Multi-Case Study of Securities Litigation Supported by China Securities Investor Services Center”, *Management World*, 2020, 36(1): pp. 69-87+235.
- [41] Xiong Jiakai and tong Daming, “CSISC and Investor Protection: Evidences from Information Disclosure”, *Journal of Jiangxi University of Finance and Economics*, 2022(1): pp. 32-46.
- [42] Zhang Shuhui and Luo mengjia, “Company's Characteristics, the Fair Value and Auditing Fee——An Empirical Analysis based on the Listed Companies in China”, *Commercial Research*, 2016(1): pp. 108-116.
- [43] Zheng Chunmei, Wu Guanglei and Wen Guirong, “Independent Directors of Financial & Accounting and the Quality of Accounting Information under the ESG Framework — — Based on Internal Control Effectiveness”, *The Theory and Practice of Finance and Economics*, 2021, 42(6): pp. 89-95.
- [44] Zheng Guojian, Juck Zhang and Xie Sujuan, “Hundred-equity Righteous: The role of the Investor Service Center in Protecting Minority Investors”, *Journal of Management Science and Engineering*, 2021, 24(9): pp. 38-58.
- [45] Zheng Jianming and Sun Shilu, “Tax Administration and Audit Fees——Evidence from the quasi-natural experiment of the ‘Third Phase of Golden Tax Project’”, *Auditing Research*, 2021(4): pp. 43-52.