

The Impact of Financial Shared Service on Firm Performance—— An Empirical Study Utilizing Data From the A-Share Market

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Abstract

Under the impetus of far-reaching evolution within the digital economy, financial shared service, a management model features efficient operations and optimal resource allocation, have been widely adopted in corporate financial management. Employing A-share listed companies as empirical subjects, this research specifies a fixed effect model to quantify the impact of financial shared service adoption on operational performance metrics. The findings reveal that the construction of financial shared services exerts a positive impact on firm performance. Specifically, the effect of enhancing firm performance through financial shared services becomes increasingly pronounced as the duration of their implementation extends. Notably, in non-manufacturing firms, establishing financial shared services negatively relates to firm performance, presumably due to the conflict between their standardized model and personalized business needs, causing higher communication costs and insufficient transformation benefits. This study is committed to advancing the establishment of financial shared service centers and deepening Business-Finance integration.

Keywords

Digital economy, Financial shared service, Firm performance.

1. Introduction

With the world accelerating its digital transformation, firm financial management models are undergoing profound reforms. Traditional financial management model centered on conventional accounting tasks such as verifying original documents, recording account books, and preparing financial statements is increasingly struggling to keep pace with the rapidly evolving global economic development environment and the demands for refined management. Financial Shared Services, a centralized management and resource-sharing model, has emerged as a critical path for firms to reduce costs, enhance efficiency, and strengthen financial control capabilities.

The Financial Work Conference of CSOEs held in December 2023 explicitly required that Financial System of CSOEs accelerate digital and intelligent transformation in 2024. The "Report on the Construction of Financial Shared Services among CSOEs" indicates that under the policy encouragement of the Ministry of Finance and SASAC, the development of financial shared services in CSOEs has shown rapid growth since 2013. The "Guiding Opinions on Accelerating the Construction of World-Class Financial Management Systems by Central Enterprises" emphasizes exploring effective pathways for financial digital transformation through shared services, advancing innovation in shared models, processes and technology. This involves extending from accounting sharing to multi-domain sharing, evolving from FCPC to EDC, continuously improving sharing efficiency and expanding shared boundaries. Besides,

Janssen argues that a Shared Service Center (SSC) constitutes a distinct mode of resource allocation, marked by its long-term orientation and strategic significance [1]. Many OECD countries also regard reducing back office cost as an important public policy goal, and the shared service model is increasingly emerging as a promoted means to achieve this goal [2]. This study systematically analyzes the relationship between financial shared services and firm performance, offering a new perspective for understanding financial management innovation in digital transformation. By taking industry heterogeneity as a moderating variable, it reveals the impact of financial sharing on firm performance among different types of firms, thereby deepening theoretical understanding of the complexity in the relationship between financial shared services and firm performance. Furthermore, the research reveals optimization pathways for financial shared services in the digital economy era, providing strategic references for financial transformation across different firm types.

2. Literature Review and Hypothesis

2.1. Examination of the Correlation Between Financial Sharing and Firm Performance

Ritcher and Qiu share a comparable perspective, contending that firms establish financial shared service centers with the objectives of cost reduction and efficiency enhancement [3-5]. Through qualitative data analysis, Liu compared the accounting information quality of Yonghui Supermarket with that of the industry from 2010 to 2019, and it is concluded that the establishment of the financial shared service center has a positive effect on accounting information quality. As a key tool for corporate governance, the upgrading of accounting information quality will ultimately enhance firm performance [6]. Based on these studies, this paper proposes Hypothesis 1.

H1: Financial shared services exert a notably favorable influence on corporate performance.

2.2. Examination of the Correlation Between Implementation Time of Financial Shared Services and Enterprise Performance

Yu used 57 A-share listed enterprises that had implemented FSS as research samples, through constructing model, confirmed that the longer the implementation duration of FSS, the better the performance [7]. Wu selected listed companies that implemented financial shared services between 2004 and 2018 as research samples. Through constructing a theoretical model, the analysis revealed that firm profitability significantly improved within 1-2 years after the implementation of FSSC [8]. Based on the above studies, we can summarize the common characteristics of financial shared service implementation in China: After an adaptation period, the benefits brought by FSSC will emerge. Given this, this paper presents Hypothesis 2.

H2: There manifests a substantial and favorable correlation between the time span of adopting financial shared services and firm operational performance.

3. Research Design

3.1. Sample Determination and Data Source Specification

This paper focuses on the A-share listed firms in China from 2012 to 2022 as the foundational research sample and conducts the following screening: removing ST, *ST, and delisted company samples; excluding samples from specialized industries including finance and insurance; and eliminating samples with missing key variable data to ensure data reliability and source integrity. Through the collation and analysis of data from 2012 to 2022, qualified annual samples of firms were ultimately obtained. In this paper, the key independent variable data is primarily sourced from the information that has been crawled from the Q&A sections of board

secretaries' forums spanning the years 2021 to 2023. The dependent variables, control variables, and moderated variables data were all obtained from the CSMAR database.

3.2. Model Design and Variable Specification

This paper draws on prior empirical evidence regarding financial sharing performance and identify TobinQ value as the dependent variable. It further examines two explanatory factors: the establishment of the financial sharing service center (FSSC_DUM) and the initiation time of the financial sharing service center (FSSC_TIME).

Table 1: Variable explanations

Variable Type	Variable Name	Variable Symbol	Variable Description
Dependent Variable	Tobin's Q	TobinQ	Market value/Average total assets
Explanatory Variable	Whether FSSC is Established	FSSC_DUM_L2	Take the value of 1 if the enterprise has established FSSC, otherwise 0
	FSSC Establishment Time	FSSC_TIME_L2	If an enterprise establishes a FSSC in a certain year, assign a value of 1 for the first year, 2 for the second year, and so on. Assign a value of 0 if it is not implemented.
Moderating Variable	Industry Attribute	MAN	CSRC Industry Classification 2012 Edition
Control Variable	Firm Size	SIZE	Data are from the forecast research reports of various securities companies and research institutions
	Asset-Liability Ratio	LEV	Total liabilities/Total assets
	Cash Ratio	CR	Ending balance of cash and cash equivalents/Current liabilities
	Total Asset Growth Rate	TAG	calculate the difference between the closing total asset value at the period's end and the opening total asset value at the period's start, then divide this difference by the opening total asset value at the period's start.
	Operating Income Growth Rate	OIG	Subtract the previous quarter's operating income from the current quarter's operating income of this year, and then divide the result by the previous quarter's operating income.
	Financial Leverage	FL	Sum up the net profit, income tax expense, and financial expense, and then divide this sum by the total of net profit and income tax expense.
	Share Concentration	SC	Square the shareholding ratios of the company's top 10 major shareholders respectively, and then sum up these squared values.

3.3. Model Building

This paper uses panel data to establish a fixed effect model with two dimensions of time and individual for regression analysis, and improves the accuracy of Parameter estimation for the model by expanding the sample size, so as to verify the influence of the establishment and implementation time of financial shared service center on firm performance.

In order to study the change of firm performance before and after the implementation of FSSC, model 1 is constructed:

$$\text{TobinQ}_{i,t} = \beta_0 + \beta_1 \text{FSSC}_{\text{DUM}_{i,t}} + \beta \text{controls}_{i,t} + \theta_i + \varepsilon_{i,t} \quad (1)$$

To investigate the influence of FSSC implementation time on firm performance, model 2 is constructed:

$$\text{TobinQ}_{i,t} = \beta_0 + \beta_1 \text{FSSC}_{\text{TIME}_{i,t}} + \beta \text{controls}_{i,t} + \theta_i + \varepsilon_{i,t} \quad (2)$$

Within the two models mentioned above, above, $\text{TobinQ}_{i,t}$ represents the dependent variable TobinQ, β_0 denotes the intercept term of the regression model, and β represent the coefficients of the explanatory variables. i signifies a selected sample enterprise, while t ($t = 0, 1, \dots, n$) represents the implementation period of the financial shared services system for firms, specifically the year in which the implementation occurs, the first year... and subsequent year. θ_i denotes time-invariant individual characteristics that remain unmeasurable, whereas $\varepsilon_{i,t}$ represents time-varying disturbance terms affecting both individual enterprises and implementation periods.

4. Empirical Analysis

4.1. Descriptive Statistics

Table 2 offers a presentation of the descriptive statistics of the key variables.

Table 2: Summary of descriptive statistics for main variables.

	(1)	(2)	(3)	(4)	(5)	(6)
VARIABLES	N	mean	sd	min	p50	max
TobinQ	10,741	2.049	3.064	0.609	1.457	118.255
ROA	11,639	0.035	0.181	-16.112	0.034	3.589
ROE	11,557	0.024	1.960	-174.895	0.073	14.021
FSSC_DUM	12,829	0.127	0.332	0.000	0.000	1.000
FSSC_TIME	12,829	0.544	1.762	0.000	0.000	11.000
SIZE	10,926	3.134e+10	1.287e+11	17008562.430	5.667e+09	2.733e+12
LEV	11,930	0.496	0.683	0.010	0.487	63.971
CR	11,904	0.638	1.314	0.000	0.319	45.830
TAG	11,001	0.147	0.998	-0.972	0.072	72.521
OIG	10,923	2.304	95.769	-41.576	0.129	9,290.911
FL	11,001	1.309	7.403	-582.580	1.073	78.280
SC	10,987	0.174	0.127	0.004	0.140	0.810
Equity Nature	10,743	1.479	0.500	1.000	1.000	2.000
MAN	11,001	1.422	0.494	1.000	1.000	2.000

As shown in Table 2, the mean of TobinQ is 2.049 > 1 with a standard deviation of 3.064, which implies that firms' overall market value is fairly high. The mean of FSSC_DUM is 0.127, suggesting that 12.7% of sample firms implemented financial shared services between 2012 and 2022, viz., financial shared services has gradually been popularized among sample firms. The mean of FSSC_TIME is 0.544 with a wide range, highlighting significant variations in the duration of firm shared service implementation. The mean of MAN is 1.422, indicating that most sample companies in manufacturing have implemented financial shared services. The low standard deviation of SIZE suggests that sample firms are relatively average in scale. The mean of LEV is 0.486 below 0.600, suggesting lower operational risks. The mean of SC is 0.174,

indicating relatively dispersed equity ownership with balanced shareholding among shareholders and weaker control by the top ten shareholders. The mean of CR is 0.638 (greater than 0.2), suggesting strong cash liquidity and short-term debt repayment capacity. The mean of FL is 1.309>1, indicating higher fixed financial costs and greater financial risks. The means of TAG and OIG are 0.147 and 2.304 respectively, suggesting favorable corporate development

4.2. Regression Results and Analysis

This study conducts regression analysis on whether to establish FSSC and whether to implement it with a one-period or two-period lag. Table 3 shows the regression results of model 1 and Model 2.

From Columns (1) and (2), it is evident that the estimated coefficients for the implementation of financial shared services, with lags of 1 period and 2 periods, stand at 0.244 and 0.270 respectively. Both coefficients are statistically significant at the 1% level. The sign of the regression coefficients aligns with the hypotheses¹, confirming that FSSC implementation has a notably positive effect on firm performance.

Examining columns (3) and (4) of the table, the regression results reveal that the coefficient signs associated with FSSC establishment time are in accordance with Hypothesis 2. Notably, the regression coefficient for FSSC establishment time lagged by two periods reaches 0.052 and is statistically significant at the 5% level. This suggests that as FSSC implementation duration increases, the FSSC process matures, leading to higher financial efficiency. Firms with longer implementation periods exhibit greater capacity to reduce operational costs, strengthen risk control, and achieve higher TobinQ values. Furthermore, they demonstrate a larger ratio of market value to asset replacement cost, resulting in improved firm performance. These findings confirm the positive correlation between FSSC implementation duration and firm performance, thereby validating the hypotheses.

Table 3: Regression analysis of model 1 and Model 2

VARIABLES	(1) TobinQ	(2) TobinQ	(3) TobinQ	(4) TobinQ
FSSC_DUM_L1	0.244*** (2.59)			
FSSC_DUM_L2		0.270*** (2.78)		
FSSC_TIME_L1			0.037 (1.64)	
FSSC_TIME_L2				0.052** (1.96)
Controls	YES	YES	YES	YES
Constant	1.334*** (12.63)	1.781*** (8.61)	1.343*** (12.58)	1.791*** (8.60)
Observations	9,856	9,023	9,856	9,023
R-squared	0.242	0.220	0.242	0.220
Number of ID	1,165	1,165	1,165	1,165
ID FE	YES	YES	YES	YES
YEAR FE	YES	YES	YES	YES
t-statistics in parentheses *** p<0.01, ** p<0.05, * p<0.1				

5. Robustness Tests

5.1. Replace the Explained Variable

Drawing on the research methods of Zhu [9], this study employs ROA as a firm performance metric to replace TobinQ in Model 1 for robustness testing. Additionally, this paper also refers to Yu's empirical research, Conducting a robustness test by using ROE as the explained variable to replace TobinQ, which is used to measure firm performance [8]. (see Table 4).

Table 4: Regression analysis of results

	(1)	(2)
VARIABLES	ROA	ROE
FSSC_DUM_L1	0.010** (2.48)	0.083* (1.80)
Controls	YES	YES
Constant	0.153*** (27.09)	0.415 (0.83)
Observations	10,041	9,973
R-squared	0.793	0.005
Number of ID	1,165	1,165
ID FE	YES	YES
YEAR FE	YES	YES
t-statistics in parentheses *** p<0.01, ** p<0.05, * p<0.1		

Table 4 displays the regression outcomes. The ROA coefficient shows a statistically significant positive correlation at the 5% significant level, implying a positive link between the adoption of financial shared services and ROA. This confirms Hypothesis 1 and demonstrates the reliability of the research results. The ROE coefficient exhibits a statistically notable positive correlation at the 10% level, suggesting that financial shared services are significantly positively correlated with ROE. This further validates Hypothesis1 and confirms that implementing financial shared services can substantially enhance corporate profitability. The robustness of the research results is demonstrated through these findings.

5.2. Take the Method of Winsorization

To mitigate the impact of extreme values in research variables, all continuous variables underwent Winsorization at the 5% and 95% levels, with the regression findings presented in Table 5.

Table 5: Regression result analysis

	(1)	(2)
VARIABLES	TobinQ	TobinQ
FSSC_DUM_L1	0.159*** (3.74)	
FSSC_DUM_L2		0.138*** (3.05)
Controls	YES	YES
Constant	2.185*** (23.05)	2.445*** (24.55)
Observations	9,856	9,023
R-squared	0.199	0.214
Number of ID	1,165	1,165
ID FE	YES	YES
YEAR FE	YES	YES

The findings indicate that there is a positive association between firm performance and the establishment of financial shared service center at the 1% significance level, and demonstrating robustness.

6. Heterogeneity analysis

Yang based on statistical analysis of data across various industries, concluded that the recognition and value of the financial shared service model are constantly on the rise. Notably, this model is particularly prevalent in sectors such as manufacturing, which deserves our attention [10].

Table 6: Regression analysis of results

	(1)	(2)
VARIABLES	TobinQ	TobinQ
2.Group2#c.FSSC_DUM_L1	-0.198** (-2.35)	
2.Group2#c.FSSC_DUM_L2		-0.181* (-1.91)
Controls	YES	YES
Constant	2.267*** (23.84)	2.549*** (25.41)
Observations	9,856	9,023
R-squared	0.204	0.220
Number of ID	1,165	1,165
ID FE	YES	YES
YEAR FE	YES	YES

To further examine the heterogeneous impact of industry characteristics on the time effect of financial shared service center establishment, according to China's National Standard for the Classification of National Economic Industries (GB/T4754-2017), the sample was divided into

manufacturing (Group=1) and non-manufacturing (Group=2), and an interaction term was constructed to conduct a difference test on the regression coefficients of both groups, as shown in Table 6.

The regression analysis of the lagged first-period results shows that the interaction term coefficient to be -0.198, achieving statistical significance at the 5% level. This indicates that compared to manufacturing firms, the establishment of FSSC in non-manufacturing firms exerts a considerably more negative influence on firm performance. During the initial year after FSSC implementation, non-manufacturing enterprises may face constraints such as high operational flexibility, difficulties in process standardization, system immaturity, and management coordination friction. These factors collectively lead to reduced short-term operational efficiency and less favorable return on assets.

The regression results for the two-period lag model indicate that in the non-manufacturing sector sample, the interaction term coefficient for establishing financial shared service centers with a two-period lag is -0.181. While the negative impact persists, its statistical significance has slightly decreased. This suggests that during the second year of shared service center operations, the persistent issue of efficiency loss from earlier phases remains unresolved, and these centers have yet to demonstrate immediate performance-enhancing effects for firms.

7. Conclusion

This paper undertakes an in-depth investigation into the connection between the establishment of financial shared services and firm performance. Firstly, the establishment of financial shared service centers significantly enhances firm performance; Secondly, the longer the implementation duration of financial shared services, the more likely firm performance is to be higher, indicating a positive correlation between the length of time that financial shared services have been in operation

and firm performance; Thirdly, manufacturing firms implementing financial shared services demonstrate superior firm performance compared to non-manufacturing firms.

Based on the above conclusions, this paper proposes the following recommendations: First, strengthen implementation strategies for financial shared service centers. Research confirms that establishing FSSC shows a significant positive correlation with firm performance, with longer implementation periods leading to more pronounced improvements. For large firms with numerous branches, proactive development of FSSC should be prioritized. By establishing standardized financial processes to eliminate redundant costs and conducting regular updates, we can ensure FSSC functions align with corporate strategies. Second, implement FSSC pathways considering industry heterogeneity. Studies reveal notable performance differences between manufacturing and non-manufacturing sectors in FSSC implementation. Manufacturing industries, leveraging their robust infrastructure, centralized production models, and "large-scale, multi-branch" characteristics, demonstrate stronger scenario adaptability and more significant performance enhancements. It is recommended to prioritize deepening FSSC applications and promote production-financial data coordination. While non-manufacturing sectors face challenges in process standardization due to flexible operations, they can optimize existing FSSC systems through customized adaptations. Designing flexible processes around business agility will unlock the positive empowerment potential of FSSC for firm performance.

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