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The Impact of Independent Directors' Changes and Relocation on Corporate Financial Risks

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Abstract. Financial risk is an inevitable problem in the process of business management. Nowadays, as the development of current economy, the specific methods of business and financial activities of enterprises are becoming increasingly diversified and complex. As a result, the forms of risks are becoming more and more diverse, the financial risk management is becoming increasingly important. If an enterprise fails to effectively control its financial risks, the stability of its operations may be seriously jeopardized and may eventually affect the stakeholders of the enterprise.In order to explore the relationship between independent directors and corporate financial risk, this paper selected the data related to the performance of independent directors and financial data of A-share listed enterprises and as a research sample, used mathematical models and SPSS statistical analysis software, and explored the impact of the number of independent directors' dissimilarity and the consistency of the office locations of enterprises and independent directors on corporate financial risk.

Keywords: Independent Directors; Financia Risks; Relocation.

1. Background

As the China Securities Regulatory Commission (2021) announced, from 2016 to 2018, Kangmei Pharmaceutical Co. had inflated its profits by a total of 3.9 billion RMB yuan by falsely issuing and altering VAT invoices and falsifying bank documents [1]. The reason why the financial fraud of Kangmei Pharmaceuticals was not discovered in a timely manner was mainly because none of the directors, supervisors and senior management raised objections, meanwhile, the board of directors and supervisory board failed to exercise diligence in supervising the management. The corporate governance was very disorganized.

Financial risks include many aspects. Zhang Zenglian (2014) concluded that common financial risks mainly include financing risk, investment risk, working capital risk, merger and acquisition risk, multinational operation risk, financial distress risk, cost risk, budget risk, financial reporting risk derivatives risk and financial environment risk [2]. From a corporate perspective, corporate governance is an important influencing factor for corporate financial risk. Principal-agent problems are common in modern enterprises due to the increasing size of companies and the high degree of share fragmentation. Masahiko Aoki (1995) pointed out that as long as there is a separation of ownership and management in an enterprise, the phenomenon of "insider control" is inevitable [3], which in turn generates financial risks in terms of internal controllers. Yu Fusheng et al. (2008)[4] scholars empirically tested the negative effects of the proportion of independent directors, executive shareholding and separation of two positions on corporate financial risk, starting from three levels: board characteristics, executive characteristics and shareholding structure. Focusing on listed companies in strategic emerging industries, Shang, Hongtao and Zhou, Dan (2017) [5] analyzed the significant effects of capital structure, solvency, operating capacity, and growth capacity on corporate financial risk.

In order to control corporate financial risks, the US Securities and Exchange Commission first proposed the independent director system, i.e., the establishment of independent directors on the board of directors to form checks and balances of power and protect the interests of small and medium-sized investors. The China Securities Regulatory Commission issued the "Guidance on the

Establishment of Independent Director System in Listed Companies" on August 16, 2001, stating that in order to improve corporate governance structure, listed companies in China must introduce a sufficient number of independent directors. Independent directors are able to monitor the behavior of executives and influence the top-level decisions of enterprises, thus controlling the financial risks of enterprises.

However, it has been questioned whether the independent director system is truly as practical as it should be. Zheng Chunmei et al. (2011) [6] concluded that independent directors play a certain supervisory role, but the role of the independent director system is limited due to the fact that independent directors are weak and have only certain symbolic powers, and the design and operating mechanism of the independent director system needs to be re-examined.Because one of the duties of independent directors is to supervise the board of directors to prevent the major shareholders from encroaching on the rights and interests of small and medium shareholders, there is a certain degree of conflict of interest between independent directors and the board of directors. However, at the same time, independent directors are appointed and paid by the board of directors, so the independence of some independent directors is affected, and they become "vase directors" which do not actively leave comments when attending the board meetings, but only vote in favor of the board meetings and do not perform their duties diligently.

In order for independent directors to better monitor the performance of major shareholders, the system of independent directors needs to be improved based on the current situation. Many scholars have previously studied the effectiveness of independent directors in controlling financial risks from various aspects. Beasley (1996) suggested that the higher the proportion of independent directors, the lower the possibility of false financial reports and the lower the financial risks, and the relationship is inversely proportional [7]; EUoumi and Gueyie (2001) found that the higher the shareholding ratio of independent directors and the higher the proportion in the board of directors, the lower the financial risk of the company and the less likely it is to be in financial distress [8]. Chinese scholars Wu Chaopeng and Wu Shinong (2005) suggested that when the higher the proportion of independent directors in the board of directors and the better the supervision of executives, the lower the financial risk of the firm [9]. Wang, Zongjun, and Li, Hongman (2007) concluded that increasing the proportion of independent directors can help reduce corporate financial risk [10]. In addition to the aspect of proportion, some scholars have also studied the relationship between other characteristics of independent directors, such as age and gender, and corporate financial risk in recent years. Kaiyue Yang (2017) [11] concluded through regression analysis that the longer the average tenure of independent directors, the lower the financial risk of enterprises. Meanwhile, factors such as age and remuneration of independent directors do not have a significant effect on financial risk. Xuanjing (2014) [12], on the other hand, argues that it indicates that the resignation of independent directors and mandatory disclosure of independent directors' opinions do not reflect a significant improvement in the financial situation of the firm. Ding Weiguo (2018) [13] used a sample of 348 A-share listed companies in Shenzhen and Shanghai to conclude that independent director heterogeneity has a significant negative effect on the financial risk of the company. The existing literature has inconsistent findings on the relationship between independent directors' allowances and performance efficiency, to which Nan Xu et al. (2018) [14] provide a new explanation: Independent director selection, performance efficiency and allowances are all affected by asset specificity.

In addition to the above static traits, studies based on independent directors' leaving behavior have also yielded important findings. Qin Yihu (2011) [15] concluded that the amount of negative media coverage a firm receives and the probability of resignation of independent directors are significantly and positively related, and the more important independent directors value their reputation, the greater the probability of resignation. Shengli Du and J. Zhang (2005) [16] concluded that the turnover of independent directors is influenced by factors such as firm performance, litigation and arbitration events, and independent directors' working hours.

Scholars have also studied the relationship between independent directors and firm distance. Luo Jinhui et al. (2017) [17] concluded that both the geographical distance of independent directors and

the dual agency cost of the company show a significant U-shaped curve relationship, implying that the distance of independent directors from the serving company is too far or too close for them to perform their monitoring function. Sun and Liang (2014) [18] found that during 2002-2010, more than 60% of listed companies had off-site independent directors, and off-site independent directors did bring higher agency costs and higher efficiency of off-site operation, and their compensation was significantly higher than that of local independent directors; at the same time, the appropriate use of the advisory function of off-site independent directors would help companies break through the regional division of China's commodity market and improve the efficiency of off-site operation. The efficiency of the company's off-site operations will be enhanced.

In summary, after various scholars' studies, different independent director characteristics may have positive or negative effects on corporate financial risk, or may be of none effect to financial risk. Moreover, most scholars believe that board governance and financial risk are related. Meanwhile, most studies based on independent director turnover focus on its influencing factors, and most studies based on relocated directors study its impact on firm's operating costs; however, the number of studies on both and firm's financial risk are few and the sample data are older. Therefore, this paper focuses on how the number of independent directors' dissent and the consistency of independent directors' location with the company's location are related to financial risk, respectively.

2. Theoretical Analysis:

Based on the above analysis, this paper focuses on the relationship between the characteristics of independent directors and financial risk from the following two perspectives:

2.1. The Number of Independent Director Changes in the Enterprise

Independent director change includes all persons who no longer serve as independent directors due to promotion, demotion, internal transfer, departure, resignation, retirement, etc. When there are irregularities in the board of directors of an enterprise, under normal circumstances, independent directors should influence the management's decision by raising opposing opinions and other means. However, if the independent directors are not independent enough, they are forced by the pressure of the board of directors to express their true ideas, and at the same time, they may worry that if they cannot correct the behavior of the executives, the enterprise will generate greater financial risks or even bankruptcy, which will affect their reputation as independent directors. So, there may be a situation that the independent directors perform their duties negatively by leaving the company. Due to the existence of such a situation, the number of dissenting independent directors of an enterprise may reflect the size of the enterprise's financial risk.

Hypothesis 1: There is a positive relationship between the number of independent directors’ changes and financial risk.

2.2. Consistency between Independent Directors and Corporate Locations

With the rapid development of technology and increasingly advanced transportation, independent directors can participate in corporate management by telecommuting online or quickly arriving at the location of the listed company when needed. Therefore, the workplace where the independent directors are based may not coincide with the location of the listed company. However, such inconsistency may lead to situations such as independent directors not being able to monitor the operation of the company in time and not knowing enough about the board of directors' decisions, which may affect the independent directors' judgment and thus may increase the financial risk of the enterprise.

Hypothesis 2: The consistency between the location of independent directors and the enterprise is positively related to financial risk.

3. Methods

3.1. Sample Selection and Data Sources:

In this paper, relevant data were collected from the CSMAR database platform, and the sample data of listed A-share companies in Shanghai and Shenzhen from 2014 to 2020 were selected. And the sample data were screened and excluded according to the following criteria: enterprises with special characteristics of corporate balance sheets in the financial category were excluded. In order to avoid the missing data of independent variables, enterprises with incomplete financial data or executive information such as education and age were excluded. The enterprises with extreme values in individual samples were excluded as well. In summary, the final sample of 1,946 companies with 13,574 non-financial companies listed in Shanghai and Shenzhen A-shares was selected. And their industry distribution table is summarized as follows:

3.2. Definition of Variables

3.2.1. Dependent Variable

This paper adopts the F-SCORE scoring model proposed by Chinese scholars Zhou Shouhua, Yang Jihua and Wang Ping in 1996 to measure financial risk [11]. The F scoring model is a multivariate analysis method, which constructs a comprehensive evaluation system to judge the financial situation of enterprises by using various indicators such as solvency, operating capacity and profitability to comprehensively analyze the financial risk of enterprises. Its model is as follows:

$$F=-0.1774+1.1091X_1+0.1074X_2+1.9271X_3+0.0302X_4+0.4961X_5$$

X_1=Working Capital / Total Assets

X_2=Retained Earnings / Total Assets

X_3= (Net Income after Tax + Depreciation) / Average Total Debt

X_4=Market Value of Preferred and Common Stock / Total Liabilities

X_5= (Net Profit after Tax + Interest + Depreciation) / Total Assets

The critical value of the F prediction model is generally considered to be 0.0274. If the F value of a firm is lower than 0.0274, the firm is considered to be at high financial risk and there is a high probability that the firm will go bankrupt; otherwise, the firm is considered to be at low financial risk and the firm will continue to exist. The range of 0.0775 before and after the critical point, the enterprise is in the gray zone and needs further judgment.

3.2.2. Independent Variables

There are two independent variables in this paper, corresponding to the two hypotheses proposed in the previous question, which are the number of independent directors' changes and the consistency of independent directors and corporate locations.

(1) The number of independent directors' changes

The independent director turnover statistics are obtained from the CSMAR database on the specific dates of the end of independent directors' tenure. The cut-off date is June 30 of each year, and the term of office ending before the cut-off date is divided into the current year, while the term of office ending after the cut-off date is divided into the next year. The total number of independent directors whose terms of office ended in each company in each year is aggregated to arrive at the number of changes in the company in that year.

(2) Consistency between the location of independent directors and the company

The data on the consistency between independent directors and corporate locations are obtained from the CSMAR database. The database defines "consistency" as 1, and this paper defines "consistency" as 1, "none consistency" as 0.

(3) Inconsistency between the location of independent directors and the company

Id. The CSMAR database defines "inconsistency" as 0, and this paper defines "inconsistency" as 1, "none inconsistency" as 0.

3.2.3. Control Variables

The control variables consist of the following:

Table 1. Variable Definition

Variable classification	Variable Symbols	Variable Name	Variable Definition
Independent variable	CON	Consistency	Consistency between the location of independent directors and the company
	INCON	Inconsistency	Inconsistency between the location of independent directors and the company
	VAR	Number of Variation	The number of independent directors' changes
Control variables	LNSIZE	Company Size	Total corporate assets
	LEV	Gearing Ratio	Total liabilities/total assets
	ROA	Profitability	Net Income / Average Balance of Total Assets
	IND	Industry	Industry dummy variable
	YEAR	Year	year dummy variable

(1) Company size.

In this paper, total assets are selected as an indicator of company size. Total assets are widely used as a measure of company size in most of the related studies, because the total amount of assets largely shows the size of the company. The more total assets, the larger the company size, and the smaller the total assets, the smaller the company size. The company size affects the financial risk of the enterprise, and some studies indicate that the larger company size, the lower the financial risk of the enterprise, so the company size is selected as a control variable in this study.

(2) Gearing ratio.

In this study, the ratio of total liabilities to total assets is used to measure the gearing ratio of enterprises. Since the gearing ratio can show the ability of enterprises to repay debts and to operate with debts, the ratio has an impact on the financial risk of enterprises.

(3) Profitability of the enterprise.

One of the methods to quantify the profitability of enterprises uses net income/total asset balance, while the formula used in the second method is net income/total asset average balance, where total asset average balance = (total asset ending balance + total asset opening balance)/2. This paper selects the second one which is more commonly used indicators in financial management as a measure of corporate profitability. The profitability of the enterprise may affect the financial risk of the enterprise,

the stronger the profitability of the enterprise, the lower the financial risk of the enterprise may be, and conversely the weaker the profitability of the enterprise, the higher the financial risk of the enterprise may be, so the profitability of the enterprise is used as a control variable in this study.

(4) Industry control variables.

The development status of enterprises within different industries varies, and the impact on corporate financial risk varies. Industry control variables are commonly used in empirical studies as control variables, and in this paper, the types of different industries are formed into dummy variables introduced into the model of the regression test. Industry dummy variables are defined in the following table.

Table 2. Industry dummy variable definition

Industry	Dummy Variable Values	Number	Percentage
Agriculture, Forestry, Animal Husbandry and Fishery	0	222	1.64%
Mining	1	364	2.68%
Manufacturing	2	8140	59.97%
Electricity, Heat, Gas and Water Production and Supply Industry	3	613	4.52%
Construction	4	384	2.83%
Wholesale and Retail Trade	5	900	6.63%
Transportation, Storage and Postal Industry	6	447	3.29%
Accommodation and Catering Industry	7	49	0.36%
Information Transmission, Software and Information Technology Services	8	805	5.93%
Real Estate	9	741	5.45%
Leasing and Business Services	10	244	1.80%
Others	11	665	4.90%
Total	--	13574	100.00%

(5) Year control variables.

The development of enterprises in different years is different, and the impact on the financial risk of enterprises is also different. The year control variables are commonly used control variables in empirical studies, the sample in this study is selected for the interval of 7 fiscal years 2014-2020, defined as 0-6, respectively, into the model of the regression test

In summary, the control variables are defined in this paper as shown in Table.

Table 3. Control variable definition method

Variables	Name	Quantification Method
Company Size	LNSIZE	Natural Logarithm of Total Assets
Gearing Ratio	LEV	Total Liabilities / Total Assets
Profitability	ROA	Net Profit / Total Assets
Industry	IND	Industry Dummy Variables
Year	YEAR	Year Dummy Variable

4. Empirical Analysis

4.1. Descriptive Statistics

The descriptive statistics of the independent, control, and dependent variables for the samples collected in this paper are shown in the following table.

Table 4. Descriptive Statistics

Variable Name	Sample Size	Average	Maxim	Minim	Median	P25%	P75%
The number of change	13574	0.757	11	0	0	0	1
Consistency	13574	0.396	1	0	0	0	1
Inconsistency	13574	0.603	1	0	1	0	1
Company size	13574	22.551	28.416	17.388	22.449	21.709	23.324
Debt to Asset Ratio	13574	0.478	4.724	0.030	0.470	0.315	0.625
Profitability	13574	0.022	7.445	-1.648	0.027	0.008	0.529
Year dummy variable	13574	3.012	6	0	3	1	5
Industry dummy variables	13574	3.711	11	0	2	2	5
F-Score	13574	0.523	3.996	-3.951	0.401	0.054	0.912

As can be seen from the above table, from the F-score model's F-value, the median and the mean of the F-value are very similar, indicating that the distribution of the F-value in the observed samples is more uniform. The symmetry of the maximum and minimum values is due to the fact that the influence of extreme values with the absolute value of F greater than 4 was removed during the data screening in the previous period. According to the rules of F-value discrimination, enterprises with F-values below 0.0274 are in the bankruptcy zone, and the vast majority of enterprises are in the safety zone as can be seen from the 25th percentile, and the smallest F-value of -3.951 indicates that the enterprise is facing a higher probability of bankruptcy. The smallest F-value is -3.951, indicating that the enterprise faces a higher possibility of bankruptcy. From the point of view of the number of changes in independent directors of enterprises each year, the median and the 25% quartile are both 0, indicating that more than half of the enterprises have no changes in independent directors; the 75% quartile is 1, indicating that the number of changes in the number of independent directors of most enterprises is less than or equal to 1, and there is not much change in the overall view. In the independent variable "consistency", 1 means "consistent" and 0 means "inconsistent", while in the independent variable "inconsistency", 1 means "consistent" and 0 means "inconsistent". In the independent variable "inconsistency", 1 means "inconsistency" and 0 means "consistency". Therefore, combining the means of the two independent variables, about 60% of the sample firms' locations are inconsistent with the locations where the independent directors work.

4.2. Diagnosis of Multicollinearity

In multiple regression analysis in the field of econometrics, the problem of multiple covariance is more often than not, multiple covariance refers to a linear regression model in which the model estimates are distorted or difficult to estimate accurately due to the existence of precise or high correlation between the independent variables in the linear regression model. When serious multicollinearity exists between the independent variables of a regression model, the accuracy of the prediction of the regression model obtained by the least squares method will be greatly reduced, so it

is necessary to test the multicollinearity of the model when performing multiple regression analysis, and it is necessary to analyze the correlation between the variables due to the fact that there are as many as eight explanatory variables and control variables in this model. Regarding the method of multicollinearity test inspection, scholars at home and abroad have conducted many studies and have summarized many effective solutions, the commonly used statistics for multicollinearity diagnosis include the variance inflation factor (VIF), tolerance limit (YOL), condition number and variance ratio, etc. The diagnostic method of multicollinearity selected in this study is the variance inflation factor (VIF) method: the variance inflation factor (Variance Inflation Factor (VIF) is the ratio of the variance when there is multicollinearity between independent variables to the variance when there is no multicollinearity, and it can be seen from the method of calculating the VIF value that when the value of the VIF is larger, the ratio of the variance is more prominent, and the multicollinearity of the model is more serious. The general rule of empirical judgment about the VIF value is: when $0<VIF<10$, the model does not have multicollinearity; when $10\leq VIF<100$, there is a strong multicollinearity; when $VIF\geq 100$, there is a serious multicollinearity. In this paper, the samples of the study were put into the STATA software to measure the VIF values of each variable, and the results were obtained as shown in the table below:

Table 5. Multiple covariance test table

Variable	VIF	1/VIF
Number of change	1.005	0.995
Consistency	813.142	0.001
Inconsistency	813.006	0.001
Company Size	1.043	0.959
Debt to Asset Ratio	1.840	0.543
Profitability	1.864	0.536
Year dummy variable	1.065	0.939
Industry dummy variable	1.009	0.991

The above table tests the multicollinearity of the hypothesized model of this paper. According to the discrimination method of multicollinearity, when the mean value of VIF is less than 2, or the maximum value of VIF is less than 10, then it means that there is no multicollinearity, through the above table can be seen in the VIF value of each variable, which "consistency" and "inconsistency" of the VIF value has more than 10. The above table shows the VIF value of each variable, in which the VIF value of "consistency" and "inconsistency" is more than 10, which is already as high as 813. Therefore, the two independent variables of "consistency" and "inconsistency" with the largest VIF values are combined into one variable, and then we observe the changes of the VIF values of other variables.

The above table tests the multicollinearity of the hypothetical model after combining the "consistency" and "inconsistency" variables in this paper. According to the discrimination method of multicollinearity, when the mean value of VIF is less than 2, or the maximum value of VIF is less than 10, it means that there is no multicollinearity. Multicollinearity, through the above table can see the VIF value of each variable, after the modification, the VIF value of all variables are not more than 10, the mean value of VIF is 1.28, which is also in line with the criterion of less than 2, so it can be

seen that there is no multicollinearity in the modified model, therefore, this study chooses the modified model as the final model of regression analysis.

Table 6. Modified multiple covariance test table

Variable	VIF	1/VIF
Number of change	1.005	0.995
Consistency	1.045	0.957
Company Size	1.043	0.959
Debt to Asset Ratio	1.840	0.543
Profitability	1.864	0.536
Year dummy variable	1.065	0.939
Industry dummy variable	1.009	0.991

4.3. Correlation Analysis

Separately analyze the correlation between the number of corporate dissidents in the current year and the consistency of the location of corporate and independent directors and F-score, and the results are presented in the following table:

Table 7. Correlation between the number of corporate dissidents and F-score in the current year

		Number of change	F-score
Number of change	Pearson Correlation Coefficient	1	-.026**
	Sig. (two-tailed)		.002
	Number of cases	13574	13574
F-score	Pearson Correlation Coefficient	-.026**	1
	Sig. (two-tailed)	.002	
	Number of cases	13574	13574
**. At the 0.01 level (two-tailed), the correlation was significant.			

As can be seen from the table, the number of firm dissimilarities is significantly correlated with the F-score at the 0.01 level (two-tailed) and the coefficient is -0.026, which indicates a weak negative correlation.

Table 8. Corporate and independent director location consistency and F-score correlation

		F-score	Location consistency
F-score	Pearson Correlation Coefficient	1	.025**
	Sig. (two-tailed)		.003
	Number of cases	13574	13574
Location consistency	Pearson Correlation Coefficient	.025**	1
	Sig. (two-tailed)	.003	
	Number of cases	13574	13574
**. At the 0.01 level (two-tailed), the correlation was significant.			

Firm and independent director location congruence is significantly correlated with F-score at the 0.01 level (two-tailed) and the coefficient is 0.025, indicating a weak positive relationship.

Based on the fact that both independent variables are significantly correlated with the dependent variable, regression analysis is done with company size, gearing ratio, profitability, year and industry as control variables.

4.4. Regression Analysis

4.4.1. Result of R^2 and Residual Independence Test

Table 9. Model summary

model	R	R^2	Adjusted R-square	Durbin-Watson
1	.800	.640	.640	
2	.800	.640	.640	1.316

The adjusted R-squared is 0.640, indicating that the independent variables, including the control variables, explain 64.0% of the variation in the dependent variable.

The Durbin-Watson test is basically considered to be met for data independence if the result is between 0 and 4. The Durbin-Watson value for this sample is 1.316, which is consistent with independence.

4.4.2. Analysis of Variance

Table 10. ANOVA

MODLE		Sum Of Squares	Degrees of freedom	Mean Squared	F	Significance
1	Regression	43585.406	5	8717.081	4831.522	.000[b]
	Residual	24479.524	13568	1.804		
	Total	68064.930	13573			
2	Regression	43593.797	7	6227.685	3452.426	.000[c]
	Residual	24471.133	13566	1.804		
	Total	68064.930	13573			

In this case, F=3452.426, P<0.001, indicating that at least one of the independent variables explains a portion of the variance in the dependent variable, thus making the regression variance larger, the residual variance reduced, and the model successfully built.

4.4.3. Hierarchical Linear Regression

Analysis using multiple linear regression showed that the regression equation was significant, F=3452.426, p<0.001. where the number of changes (β=-0.010, p<0.05) significantly negatively predicted corporate financial risk. Office location consistency did not predict training match satisfaction (β=0.004, p=0.437). Together, these variables explained 64% of training match satisfaction.

Table 11. Hierarchical linear regression with SPSS control variables

Coefficient						
Model		Unstandardized Coefficient		Standardized Coefficient	t	Significance
		B	Standardized Factor	Beta		
1	(constant)	2.686	.198		13.553	.000
	Company Size	-.059	.009	-.035	-6.621	.000
	Debt to Asset Ratio	-.981	.010	-.695	-99.556	.000
	Profitability	.662	.034	.138	19.740	.000
	Year dummy variable	-.074	.006	-.066	-12.756	.000
	Industry dummy variable	-.020	.004	-.026	-5.064	.000
2	(constant)	2.697	.198		13.592	.000
	Company Size	-.059	.009	-.035	-6.649	.000
	Debt to Asset Ratio	-.981	.010	-.695	-99.579	.000
	Profitability	.658	.034	.138	19.574	.000
	Year dummy variable	-.074	.006	-.066	-12.383	.000
	Industry dummy variable	-.020	.004	-.026	-5.074	.000
	Number of change	-.018	.009	-.010	-1.995	.046
	Consistency	.019	.024	.004	.778	.437

5. Conclusion

Through modeling to quantify the enterprise's financial risk, combined with the theory of the relevant assumptions, and regression validation and robustness test, and came up with 2 conclusions as follows:

1. The number of independent director variations in the year has a significant impact on corporate financial risk, and the two are weakly positively correlated, i.e., the more variations in the year, the lower the F-score, and the higher the corporate financial risk. This conclusion confirms the previous hypothesis.

2. The consistency between the location of the firm and the independent directors has a significant effect on the financial risk of the firm, and the two are weakly positively correlated, i.e., firms whose location is consistent with the office of the independent directors have less financial risk. This is the same as the previous hypothesis.

The findings above can bring some insights for enterprises: some believe that frequent changes in personnel may to a certain extent reduce the closeness of the relationship between independent directors and corporate managers, thus ensuring their independence and contributing to the reduction of financial risks for enterprises. And from the empirical findings, the likelihood of this situation should be much smaller than the situation proposed in the hypothesis of this paper, that is, the frequent changes in personnel lead to the independent directors do not know the company well enough, as well as not being able to perform their duties as they wish may voluntarily resign in order to avoid responsibility. Meanwhile, the empirical results show that whether the location of the independent

director and the enterprise is the same has no significant effect on the financial risk of the enterprise, so the enterprise may not have to give too much consideration to the location of the independent director when hiring him, and the scope of choice can be expanded appropriately.

The two aspects studied in this paper are seldom mentioned in existing studies, and the few articles that study these two independent variables have much smaller sample sizes and earlier sample times than this study. Therefore, this study enriches the literature and theories related to financial risks and independent directors' characteristics of listed companies in China at this stage to a certain extent, and expects to provide a reference for corporate managers and investors to prevent financial risks.

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