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Intergenerational Transmission and Rental Occupancy Behavior in Family Firms

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Abstract. As more and more family firms enter the stage of intergenerational inheritance, the impact of second-generation family successors on business operations at the early stage of succession has attracted widespread attention and heated debate. Based on this, this paper analyzes and examines the changes in corporate rental occupancy behavior from the perspective of intergenerational succession events of family firms by taking Chinese family-held listed companies as the research object from 2010 to 2022. The results find that the rent-taking behavior of family firms is significantly suppressed after the second-generation successors take office. Through the analysis of the influence mechanism, it is found that the influence of intergenerational succession of family firms on the level of rent occupancy has an incentive effect in the way of exacerbating financing constraints and a disincentive effect in the way of lowering the level of risk-taking, with the disincentive effect being dominant. Further, the inhibitory effect of intergenerational inheritance on firms' rent-taking behavior is weakened when there is intense competition in the industry, a high percentage of the chairman's shareholding, and a low level of educational attainment of the successor. The research work in this paper not only enriches the relevant literature, but also the relevant findings have important implications for the monitoring and control of irregularities in family firms.

Keywords: Family Firms; Intergenerational Inheritance; Rent-Taking Behavior; Financing Constraints; Risk-Taking Level.

1. Introduction

Family businesses, such as the United States, European countries, and China, are crucial entities in both developed and developing economies are crucial entities in both developed and developing economies, such as the United States, European countries, and China. They represent one of the oldest and most prevalent forms of business organization, playing significant roles in economic growth, tax contributions, and employment. For instance, in the United States, approximately one-third of companies listed in the Standard & Poor's 500 Index are family-controlled or managed.

Intergenerational inheritance, a key characteristic distinguishing family business, has become increasingly pressing as founders age. In China, where deep-rooted family systems prevail, family enterprises constitute a substantial portion of the economy, with 85.4% of private enterprises adopting the family control model. However, intergenerational succession poses challenges globally, often resulting in declining performance after transition.

Furthermore, family firms tend to prefer control, leading to distinct control structures characterized by over-control at various levels. Over-control may result in rent-seeking behavior, damaging investor confidence, shareholder interests, and overall market health. The impact of intergenerational inheritance on rent-seeking behaviors within family firms is theoretically ambiguous, potentially incentivizing or disincentivizing such behaviors.

To address these issues, this study empirically investigates the relationship between intergenerational inheritance and rent-seeking behavior among A-share-listedA-share listed family firms in China from 2010 to 2022. Results suggest that intergenerational inheritance significantly inhibits rent-seeking behavior, influenced by successor risk aversion and exacerbated financing constraints. This inhibitory effect is amplified under low industry competition and lower chairman shareholding ratios and, as well as with higher education levels among second-generation heirs.

This research contributes to the understanding of rent-seeking behavior and family firm governance. It offers insights into the economic consequences of intergenerational inheritance and provides implications for the supervision and governance of family enterprises in China. Moreover, by uncovering the mechanisms underlying intergenerational inheritance's impact on rent-seeking behavior, this study enhances understanding and provides a theoretical basis for regulating non-compliant behaviors in family firms.

The rest of the paper is organized as follows. The second part is the literature review and the formulation of research hypotheses; the third part is the research design, including sample selection, variable definition and model setting; the fourth part is the empirical results and analyses, including sample descriptive statistics analysis, basic regression analysis, robustness test, endogeneity analysis; the fifth part is further analyses, including the impact mechanism test, and heterogeneity analysis; and the sixth part is the summary of the whole paper.

2. Literature Review and Research Hypotheses

2.1. Literature Review

1. Rental occupancy behavior

In the literature, studies on factors influencing corporate violations have mainly focused on internal and external governance. External governance factors, such as institutional investors' shareholding, media attention, analysts' supervision, and judicial independence, play significant roles in deterring corporate violations (Dyck et al., 2010; Zhou Kaiguo et al., 2016; Chen et al., 2016; Cao Chunfang et al., 2017). Internally, the board of directors' structure, equity incentive plans, internal control, and regulation of executive nepotism are crucial in reducing violations (Zhou Ze will et al., 2017; Hass et al., 2016; Shan Huajun et al., 2010; Khanna et al., 2015). Existing literature often discusses the triangular theory of fraud, which emphasizes motivation, opportunity, and self-rationalization as determinants of violations. Rent-taking behavior, a type of violation, is motivated by management's pursuit of profit, facilitated by over-control at the equity level, and rationalized by self-justification (He Xiaogang et al., 2022). However, there is limited research on rental occupancy compared to other types of violations. This study explores changes in rental occupancy behavior before and after intergenerational succession in family firms, inspired by previous research (He Xiaogang et al., 2022).

2. Intergenerational transmission of family businesses

Intergenerational inheritance is crucial for the sustainability of family firms but presents challenges for new successors in effectively inheriting the founder's assets. Challenges include maintaining family-specific assets, coping with financial decision-making dilemmas, and addressing external scrutiny (Fan et al., 2012; Huang Haijie et al., 2018; Lee et al., 2003). Second-generation successors may respond by increasing charitable donations, adopting strategic changes, or expanding business scope (Pan et al., 2018; Zhu Zhenduo et al., 2018; Luo Jinhui et al., 2021).

The concept of socio-emotional wealth highlights non-economic goals pursued by family firms, such as family control and identity. Existing literature primarily focuses on the impact of intergenerational inheritance on business outcomes, with less attention to non-compliance behavior. This study examines changes in rent-taking behavior due to socio-emotional wealth changes before and after intergenerational succession in family firms, enriching research in this area (Gómez-Mejía et al., 2007; Zhao Pengju et al., 2022).

2.2. Theoretical Analysis and Research Hypotheses

1. Incentive effect

Second-generation successors may increase rent-taking behavior to gain short-term profits and external funding, driven by the need to establish authority and meet socio-emotional wealth goals (Benartzi et al., 1995; Li et al., 2022).

Hypothesis 1a: Firms' rent-taking behavior increases after intergenerational transmission occurs in family firms.

2. Inhibitory effect

Second-generation successors may avoid violations due to short-sighted loss aversion, increased external scrutiny, and concern for long-term firm reputation (Benartzi and Thaler, 1995; Li et al., 2022).

Hypothesis 1b: Firms' rent-taking behavior decreases after intergenerational transmission occurs in family firms.

3. Impact mechanisms

Higher financing constraints and risk aversion may inhibit second-generation successors from engaging in rent-taking behavior to avoid financial and reputational risks (Cheng Chen, 2018; Lee et al., 2003). Based on the above analysis, we formulate hypotheses 2 and 3. The following flowchart depicts the conduction path of the impact mechanism.

Hypothesis 2: Intergenerational transmission of family firms decreases firms' rent-taking behavior by reducing the level of risk-taking of second-generation successors.

Hypothesis 3: Intergenerational transmission of family firms increases firms' rent-taking behavior by increasing the financing constraints of second-generation successors.

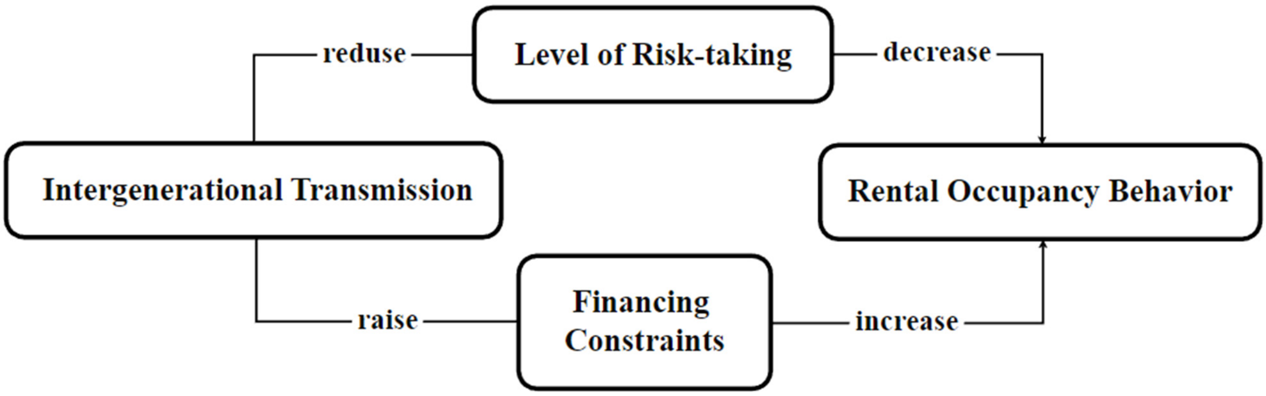

Figure 1. Mechanisms of intergenerational transmission of family firms on rental occupancy behavior

3. Research Design

3.1. Sample Selection and Data Sources

This paper focuses on Chinese family firms from 2010 to 2022, identified based on specific criteria. Family firms are defined as private firms where the actual controller is a family or an individual with blood-related family members holding shares or positions in the firm. Data is sourced from the Cathay Pacific (CSMAR) database. The sample is refined by excluding firms treated as ST or *ST, financial firms, samples with undisclosed controllers, and those with missing data, resulting in 5,674 firm-year observations (Li Xinchun et al., 2003; Wang Minglin et al., 2014).

3.2. Definition of Variables

1. Explained Variables - Rental Occupancy Behavior

This is a consequence of excessive control in family firms, which is proxied using the ratio of “other receivables” to total assets or total revenues, as insiders may hide their appropriation of corporate resources in this account. This study replaces the ratio of other receivables to total revenues as the explanatory variable (Johnson et al., 2000; Jiang et al., 2010; Sun et al., 2016).

2. Explanatory variables - intergenerational transmission of family businesses

The presence of second-generation successors in top management positions signifies intergenerational inheritance. Therefore, family intergenerational succession (Succession) is defined as second-generation heirs holding significant roles in the firm, taking the value of 1 when intergenerational inheritance occurs and 0 otherwise (Sun Xufeng et al., 2019).

3. Control variables

Control variables include Enterprise size (Size), Age of business (Age), Return on assets (ROA), Sales growth rate (Growth), Board size, presence of the four major accounting firms (Big4), dual roles of executives (Dual), Management shareholding (Mshare), Proportion of independent directors (Indbe), Market value to book ratio (Mtb), Executive remuneration (Manpay), Cash flows from operating activities (Cashflow), Industry, region, and year fixed effects. Industry variables are constructed based on the 2012 SEC industry standards, with manufacturing industries coded as "C" and other industries coded differently (Liang Shangkun et al., 2020; Luo Jinhui et al., 2023).

3.3. Modeling

Based on the above analysis, in order to test the effect of intergenerational inheritance of family firms on rental occupancy behavior, this paper refers to the research design of Yu Yihua et al. (2018) and constructs the following basic regression model:

$$\begin{aligned} Rent_{i,t} = \alpha + \beta \times Succession_{i,t} + \sum \gamma_k \times Control_{k,i,t} + \delta \times Industry_i + \theta \times Year_t \\ + \mu \times Area_i + \varepsilon_{i,t} \end{aligned}$$

where subscripts i and t represent family firms and year, respectively, the explanatory variable is the rental occupancy level of family firms (Rent), the core explanatory variable is the intergenerational inheritance of family firms (Succession), Control is a series of control variables at the firm level, the subscript k represents the number of control variables, Industry denotes industry fixed effects, Year denotes Industry denotes industry fixed effects, Year denotes year fixed effects, Area denotes area fixed effects, and the above three effects are controlled in the regression analysis in this paper.

4. Empirical Results and Analysis

4.1. Descriptive Statistical Analysis

The descriptive statistics of the variables are analyzed as shown in Table 1. As can be seen from the table, first, on average, the rental occupancy level of Chinese A-share listed family firms is about 14.9% from 2010-2022, i.e., the ratio of other receivables held by firms to total assets is about 14.9% on average. This paper also calculates the ratio of other receivables to total assets for all Chinese A-share listed firms from 2010-2022, and its average value is 6.0%, which is much smaller than the ratio of other receivables held by family-owned firms, indicating that there is indeed a serious rent-taking behavior among family-owned firms. Second, 16.0% of the family firms have experienced second-generation inheritance, i.e., the second generation of the family firm has served as the chairman or general manager of the firm, indicating that the phenomenon of intergenerational inheritance of family firms in China has become somewhat common, which is similar to the result of 16.9% in the previous study (He Li et al., 2022). The sample distributions of the other control variables are all within reasonable limits and will not be repeated here.

Table 1. Table of results of descriptive statistics

Variable	N	Mean	p50	SD	Min	Max.
Rent	5674	0.149	0.132	0.099	0.000	0.699
Succession	5674	0.160	0.000	0.366	0.000	1.000
Roa	5674	0.053	0.050	0.065	-0.662	1.285
Cashflow	5674	0.046	0.045	0.066	-0.312	0.839
Growth	5674	0.221	0.145	1.220	-0.859	84.990
Board	5674	2.096	2.197	0.180	1.386	2.708
Indbe	5674	37.700	36.360	5.325	16.670	66.670
Dual	5674	0.401	0.000	0.490	0.000	1.000
Mtb	5674	0.548	0.544	0.220	0.032	1.427
Big4	5674	0.030	0.000	0.172	0.000	1.000
Mshare	5674	25.820	24.460	21.510	0.000	89.720
Manpay	5674	14.440	14.390	0.722	11.320	18.200
Size	5674	21.750	21.640	1.018	19.080	27.120
Age	5674	15.960	15.000	5.566	3.000	37.000

4.2. Basic Regression Analysis

Table 2 presents the results of the test examining the impact of intergenerational transmission of family firms on rent-taking behavior. Column (1) displays the regression results without control variables and fixed effects, showing a negative and statistically significant coefficient for Succession at the 1% significance level. Column (2) introduces year, region, and industry fixed effects, revealing that the coefficient for Succession remains negative and significant at the 1% level. In Column (3), financial characteristics of family firms are included while controlling for fixed effects, indicating that the coefficient of Succession remains negative and significant at the 1% level. Additionally, higher return on assets, smaller firm size, and lower cash flow from operating activities are associated with more severe rent-taking behavior. Finally, Column (4) further includes corporate governance characteristics, with the coefficient of Succession remaining negative and significant at the 1% level. Moreover, larger board size, higher proportion of independent directors, greater proportion of management's shareholding, non-Big Four accounting firm audit, and dual roles of chairman and general manager are associated with more pronounced rent-taking behavior.

Overall, the results from all four regressions consistently support the conclusion that the occurrence of intergenerational transmission in family firms significantly suppresses rent-taking behavior. This confirms research hypothesis H1b.

4.3. Robustness Tests

In order to ensure the validity of the empirical results of this paper, this paper conducts a robustness test in the following aspects: (1) Replace the explanatory variables. The ratio of other receivables to total revenue is used as the new explanatory variable, and the result is still significant. (2) Controlling for higher-order fixed effects. Introduce the cross-multiplier terms of Year and Area, Area and Industry, and Year and Industry, and the results remain significant. (3) Remove the abnormal years, remove the data from the period of the stock price collapse in 2015 and the new crown epidemic in 2020, and take into account the lagged effect of the major events, the data from 2016 and 2021 are removed together, and the regression results after removing the abnormal years are still significant. In summary, the regression results of this study have good robustness.

Table 2. Table of results of basic regression analysis

	(1)	(2)	(3)	(4)
	Rent	Rent	Rent	Rent
Succession	-0.025^{***}	-0.014^{***}	-0.010^{**}	-0.012^{***}
	(0.004)	(0.003)	(0.003)	(0.003)
Roa			0.151^{***}	0.147^{***}
			(0.021)	(0.022)
Cashflow			-0.388^{***}	-0.392^{***}
			(0.021)	(0.021)
Growth			-0.000	0.000
			(0.001)	(0.001)
Mtb			-0.005	-0.008
			(0.007)	(0.007)
Size			-0.004^{**}	-0.005^{**}
			(0.001)	(0.002)
Board				0.029^{***}
				(0.009)
Indbe				0.001^{+}
				(0.000)
Dual				-0.010^{***}
				(0.002)
Big4				-0.016^{*}
				(0.007)
Mshare				0.000^{*}
				(0.000)
Manpay				0.002
				(0.002)
Age				0.000
				(0.000)
Area	No	Yes	Yes	Yes
Year	No	Yes	Yes	Yes
Industry	No	Yes	Yes	Yes
adj. R^2	0.0082	0.1592	0.212	0.216
N	5674	5674	5674	5674

Note: ***, **, *, + indicate significant at 0.1%, 1%, 5% and 10% significance levels, respectively.

Table 3. Table of results of replacing explanatory variables

	(1)	(2)
	Rent_new	Rent
Succession	-0.025^{**}	-0.012^{***}
	(0.008)	(0.003)
Controls	Yes	Yes
Area	Yes	Yes
Year	Yes	Yes
Industry	Yes	Yes
adj. R^2	0.289	0.216
N	5674	5674

Note: ***, **, *, + indicate significant at 0.1%, 1%, 5% and 10% significance levels, respectively.

Table 4. Table of higher order fixed effects results

	(1)	(2)
	Rent	Rent
Succession	-0.012***	-0.012***
	(0.003)	(0.003)
Controls	Yes	Yes
Area	Yes	Yes
Year	Yes	Yes
Industry	Yes	Yes
Area*Year	Yes	No
Area*Industry	Yes	No
Year*Industry	Yes	No
adj. R^2	0.240	0.216
N	5674	5674

Note: ***, **, *, + indicate significant at 0.1%, 1%, 5% and 10% significance levels, respectively.

Table 5. Table of results of eliminating anomalous years

	(1)	(2)
	Rent	Rent
Succession	-0.009*	-0.012**
	(0.004)	(0.003)
Controls	Yes	Yes
Area	Yes	Yes
Year	Yes	Yes
Industry	Yes	Yes
adj. R^2	0.230	0.216
N	3948	5674

Note: ***, **, *, + indicate significant at 0.1%, 1%, 5% and 10% significance levels, respectively.

4.4. Endogeneity Analysis

This paper uses an instrumental variable approach to address potential endogeneity. Drawing on He Li et al. (2022), the number of temples and Taoist temples (Religion) within a 30km radius of a family firm's place of incorporation is selected as an instrumental variable for a two-stage least squares approach. The data were obtained from the Cultural Studies Database of the CSMAR database, which provides the number of places of religious activities (temples and Taoist temples) near the place of incorporation of listed companies.

In terms of the correlation of instrumental variables, traditional Chinese culture is closely related to the intergenerational inheritance of family firms. Traditional Chinese culture emphasizes family relationships, and this cultural influence encourages family firms to prefer to pass on their businesses to their offspring, making it common for family firms to adopt the "son inherits father's business" approach. At the same time, traditional Chinese culture also embodies a differential pattern, i.e. the concept of affinity. Under the influence of this culture, family firms tend to be distrustful of non-family members, such as professional managers, and are therefore more willing to pass on the business to family descendants with strong blood ties (Wu Chaopeng et al., 2019). Therefore, the stronger the traditional culture, the greater the likelihood of intergenerational transmission of family businesses. Temples and Taoist temples, on the other hand, are an important embodiment of traditional Chinese culture, and their number reflects the strength of traditional culture in a region; this paper adopts the number of temples and Taoist temples within 30 kilometers around the registered place of a listed company as an indicator representing traditional culture.

In terms of the exogeneity of the instrumental variables, the number of temples and Taoist temples within 30 kilometers around the registered location of family firms does not directly affect the rental occupancy level of family firms and other related variables. The establishment pattern of temples and Taoist temples was basically formed before the founding of New China (Min Li et al., 2020), and since the founding of New China, the government has strictly approved new temples and Taoist temples, so there are almost no new places for religious activities. This implies that the number of temples and Taoist temples and their distribution patterns have been finalized prior to the sample period of this study and do not have a direct impact on the current financial status of family firms, such as the level of rental occupancy, nor do they directly correlate with the variables not considered in the regression model (family firm-level correlates).

Table 6. Table of two-stage least squares results

	(1)	(2)
	first stage	second stage
VARIABLES	Succession	Rent
Religion	0.0004***	
	(0.000)	
Succession		-0.066**
		(0.032)
Controls	Yes	Yes
Area	Yes	Yes
Year	Yes	Yes
Industry	Yes	Yes
N	5,674	5,674
R-squared	0.052	0.068
Minimum eigenvalue statistic	68.3291	

Note: ***, **, *, + indicate significant at 0.1%, 1%, 5% and 10% significance levels, respectively.

The regression results of the first stage are shown in column (1) of Table 6. The regression results show that the coefficients of family firm intergenerational inheritance (Succession) and the number of temples and Taoist monasteries within a 30km radius of the registered location of the family firm (Religion) are positive at the 1% significance level, which indicates that the instrumental variables are strongly correlated with the endogenous explanatory variables of this paper. The paper further conducted a weak instrumental variable test and the value of the statistic in the test result is 68.3291, which is greater than the 10% critical value of 16.38, rejecting the original hypothesis and indicating that there is no weak instrumental variable problem.

The second stage regression results are shown in column (2). The regression results show that after using the instrumental variable (Religion), family firm intergenerational succession (Succession) still gets a negative regression coefficient at the 1% significance level. Therefore, after accounting for endogeneity, family firm intergenerational succession still has a significant negative impact on firms' rent-taking behavior.

5. Further Analysis

On the basis of the original model, in order to further explore the channel mechanism through which intergenerational inheritance of family firms affects the level of rental occupancy, this paper draws on the intermediation effect testing process proposed by Wen Zhonglin et al. (2014) and selects two types of channels, namely, "risk taking" and "financing constraints". This paper draws on the mediation effect testing process proposed by Wen Zhonglin et al.

5.1. Level of Risk Taking (Lev)

After the intergenerational inheritance of family firms, the new successors will reduce high-risk behaviors and focus on the investment of low-risk projects for the consideration of smoothly passing through the inheritance period (Xu Yongbin et al., 2019). As a result, rent-taking behaviors with high-risk characteristics will be avoided by successors, i.e., this paper argues that the inhibitory effect of intergenerational inheritance of family firms on rent-taking behaviors stems from their lower risk-taking level. Specifically, according to the practice of the existing literature (Luo Jinhui, 2023), the firm's level of liability (Lev) is used to measure the firm's risk-taking level, and the larger the value of the level of liability, the higher the risk-taking level of the firm is represented. In this paper, we replace Mediator in the mediation model with the level of firm risk-taking (Lev) to test whether intergenerational inheritance of family firms suppresses rent-taking behavior by reducing firm risk-taking.

Table 7. Table of results for risk-taking levels

	(1)	(2)	(3)
	Rent	Lev	Rent
Succession	-0.012***	-0.019***	-0.009**
	(0.003)	(0.005)	(0.003)
Lev			0.163***
			(0.008)
Controls	Yes	Yes	Yes
Area	Yes	Yes	Yes
Year	Yes	Yes	Yes
Industry	Yes	Yes	Yes
adj. R^2	0.216	0.447	0.266
N	5674	5674	5674
Sobel		-3.134	

Note: ***, **, *, + indicate significant at 0.1%, 1%, 5% and 10% significance levels, respectively.

The test results are shown in Table 7, column (2) regression results show that the level of risk-taking (Lev) is significantly negatively correlated with the intergenerational transmission of family business (Succession) ($a = -0.019$), and the regression results in column (3) show that the level of rental occupancy (Rent) is significantly negatively related to the intergenerational succession of family firms (Succession) ($c' = -0.009$), while the coefficient of risk-taking level (Lev) is significantly positive ($b = 0.163$), indicating that there is a partial mediating effect of risk-taking level between family business intergenerational succession and rent occupancy behavior. In addition, the$a \times b$ the sign of the coefficient on the level of risk-taking (Lev) is the same as thec' has the same sign, which verifies that intergenerational transmission of family firms suppresses rent-taking behavior by reducing the level of risk-taking. In this paper, Sobel test and Bootstrap test are also conducted. z-statistic in Sobel test reaches -3.134, which is significant at 1% level. And in Bootstrap test, the critical values around the 95% confidence interval are -0.00479 and -0.00126 respectively, which do not contain 0. That is, both tests are passed. In summary, the path of hypothesis 2 "intergenerational transmission of family business - risk-taking level - inhibition of rental occupancy" can be verified.

5.2. Financing Constraints (SA)

After the intergenerational succession of family firms, external investors will manage credit risk by increasing risk compensation requirements and attaching restrictive clauses (Werner et al., 2021), thus exacerbating corporate financing constraints. Therefore, in order to obtain more capital to satisfy the need to whitewash performance in the short run, second-generation successors will adopt rent-taking behavior. That is, this paper argues that intergenerational succession in family firms dilutes its inhibitory effect on rent-taking behavior by increasing financing constraints. Based on existing studies (Hadlock et al., 2010; Ju et al., 2013), this paper adopts the SA index to measure the financing constraints faced by firms, and a negative SA index and a larger absolute value of the SA index indicate that firms face more severe financing constraints.

Table 8. Financing constraints results table

	(1)	(2)	(3)
	Rent	SA	Rent
Succession	-0.012***	-0.011***	-0.013***
	(0.003)	(0.002)	(0.003)
SA			-0.024
			(0.018)
Controls	Yes	Yes	Yes
Area	Yes	Yes	Yes
Year	Yes	Yes	Yes
Industry	Yes	Yes	Yes
adj. R^2	0.216	0.928	0.216
N	5674	5674	5674
Sobel		2.044	

Note: ***, **, *, + indicate significant at 0.1%, 1%, 5% and 10% significance levels, respectively.

The test results are shown in Table 8, column (2) regression results show that financing constraints (SA) is significantly negatively related to family business intergenerational inheritance (Succession) ($a = -0.011$), column (2) regression results show that the rental occupancy level (Rent) is significantly negatively related to family business intergenerational inheritance (Succession) ($c' = -0.013$), but the coefficient of financing constraint (SA) is not significant at this time ($b = -0.024$). Therefore, this paper conducts Sobel test and Bootstrap test to further determine whether the mediation effect exists or not. in the result of Sobel test, the Z statistic reaches 2.044, which is significant at 5% level. And in the Bootstrap test result, the critical values around the 95% confidence interval are 0.0006 and 0.00093 respectively, which do not contain 0. That is, both tests pass. In addition, the$a \times b$ is the same as thec' the sign of the opposite, that is, the financing constraints produce a masking effect between intergenerational inheritance and rental occupancy behavior of family enterprises, which verifies that the financing constraints have a reverse dilution effect on the inhibitory effect between intergenerational inheritance and rental occupancy behavior of family enterprises. In summary, the path of hypothesis 3 "intergenerational inheritance of family enterprises - financing constraints - incentives for rental occupancy" can be verified.

6. Research Findings

As the founders of many family firms in China have entered their later years, more and more family firms have entered the intergenerational succession stage. This paper takes A-share listed family firms in China from 2010 to 2022 as the research sample, and empirically tests the relationship between intergenerational inheritance and firms' rent-taking behavior by using the fixed-effects model. The study shows that intergenerational inheritance of family firms significantly inhibits rent-taking behavior, and the result is formed by the interaction of incentive and disincentive effects. Through the mechanism test, this paper finds that intergenerational inheritance of family firms can inhibit rent-taking behavior by lowering the risk-taking level of successors on the one hand, and promote the adoption of rent-taking behavior by aggravating the financing constraints of successors on the other hand, and the inhibitory effect plays a dominant role in a comprehensive view. Further, when the industry in which the family business is located is more competitive, the inhibitory effect of intergenerational inheritance on rent-taking behavior is weakened; when the chairman of the family business has a lower shareholding ratio, intergenerational inheritance more significantly inhibits rent-taking behavior; in the family business that has completed the intergenerational inheritance, the lower educational level of the heirs will weaken the inhibitory effect of intergenerational inheritance on rent-taking behavior, and when the educational level is lower than bachelor's degree, the intergenerational inheritance will instead prompt the family business to adopt rent-taking behavior. In family firms that have completed intergenerational transmission, lower education of heirs will weaken the inhibitory effect of intergenerational transmission on rent-taking behavior, and when the education is lower than bachelor's degree, intergenerational transmission will encourage family firms to adopt rent-taking behavior.

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