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The Influence of Internal Control on Investment Efficiency

Ziyu Yao,Chunlian Zhang
Nanchang Institute of Technology, Nanchang, Jiangxi, China
***Corresponding author, E-mail: 282122246@qq.com**

Abstract:
The entity enterprise is an important micro-foundation of a country's economic development, and plays an important role in the development of a country. Under the"Separation of powers" system, internal control has become an important factor affecting the high-quality development of the company, but its role has not been fully valued. Analyze the relationship between internal control and high quality development. In the state-owned enterprises and the areas with higher degree of marketization, internal control has a significant positive impact on the high-quality growth of enterprises. On this basis, proposed the establishment and the consummation company internal control system, strengthens the company internal governance, promotes the company high quality development goal.

Key Words:
Entity Enterprise; Internal Control; enterprise high quality development; investment efficiency

1 Introduction

On December 15, the Ministry of Finance and the China Securities Regulatory Commission 2023 a circular to further improve our internal control system. The circular proposed that the basic norms of internal control of enterprises (accounting (2008) No. 7) and the corresponding provisions on internal control should be conscientiously implemented, the internal control system should be continuously improved, and the risk assessment system should be improved, strengthen the evaluation and audit of internal control, identify the problems of internal control scientifically, strengthen the improvement of internal control, promote the further improvement of internal control, so as to further enhance the effectiveness of internal control. Listed companies in our country that have not yet fully implemented the internal control system should conduct internal control assessment in accordance with the provisions of the internal control system and entrust Accounting networks and associations to carry out internal control audit work.

In May of that year, the National Bureau of Statistics of the People's Republic of China also suggested reducing efficiency, lowering efficiency, actively increasing effective investment and improving the investment structure. Therefore, how to effectively solve the environmental uncertainty faced by enterprises and improve the investment efficiency of enterprises has become an important issue facing enterprises. On this basis, the dynamic process and mechanism of prevention in advance, control in the event, supervision and correction after the event are put forward. From the reality of the enterprise, the internal control of the company has its

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own characteristics, which is not only a self-restraint of the industry, but also a measure to achieve the company's objectives.

In addition, in today's increasingly complex market environment, coupled with financial risk issues, which make the development of the company more and more difficult, so, a set of scientific and effective prevention and early-warning methods must be established to prevent the negative impact of financial risk on the development of the company. Therefore, we must strengthen the establishment of the Internal Control System of enterprise finance and adopt various means to guard against financial risks.

From this point of view, the enterprise's internal control is the enterprise management objectives, measures, methods and processes of a set of management behavior. The enterprise manager implements the enterprise's internal control, mainly aims at the enterprise each function department, the subsidiary company as well as each business and so on. When the enterprise implements the internal control, its basic goal is to enhance the management benefit, realizes to each kind of resources the effective use. Internal control is a very important link in the development of an enterprise. It is not only a main method to prevent risks in the process of production and development, but also the basis of a whole risk management.

Some managers do not understand the important role of internal control well, but some enterprises in the implementation process, it is difficult to apply the relevant internal control strategy to effectively manage the company's risks. Some companies do not set the risk early warning index perfectly, do not carry on the rigorous analysis to the risk hidden danger of each operation phase, also do not make the scientific early warning index according to the company's actual operation condition. The improper selection of risk early-warning mechanism and over-reaction to weak risks lead to the waste of resources.

Therefore, perfect internal control can play a positive role in the company's over-investment and under-investment. Good internal control can effectively reduce the company's Information asymmetry, reduce the company's financing costs, thus effectively restrain the company's lack of investment. Venture Capital has the power to improve the quality of the company's internal control, and good internal control can effectively curb the company's over-investment and under-investment, this is also an important influence mechanism of venture capital on over-investment and under-investment.

2 Related Theory Overview

2.1 Relevant Concepts

2.1.1 Internal control

The Internal Control System of a company is composed of the board of directors, the Board of Supervisors, the managers and all the employees. The internal control of an enterprise is a dynamic, dynamic, constantly changing and constantly improving process. The internal environment is an important part of the internal control system, including corporate governance structure, organization and power allocation, internal audit system, human resources policy and corporate culture (2) risk assessment: it refers to the identification and systematic analysis of various risks that affect the achievement of internal control objectives, and the formulation of corresponding risk countermeasures; (3) management and control behavior: refers to the enterprise

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based on the Enterprise's risk assessment, take appropriate management and control action, so that it is within a reasonable range; (4) information and communication: refers to the enterprise's internal control-related information timely and accurate collection and transmission, to ensure the enterprise and internal and external effective communication; (5) internal control management: refers to the enterprise through the establishment and implementation of internal control system supervision and inspection, evaluation of the effect of internal control, and the deficiencies of internal control to rectify.

Accurate, true, effective and timely accounting information is an important part of accounting information, to ensure the company's staff, work procedures, logistics management; In order to make enterprises have good self-restraint ability, it is necessary to carry out effective supervision on the business activities of enterprises.

2.1.2 Business investment efficiency

The investment benefit of an enterprise is essentially the proportion of its input and consumption. At present, because of different research purposes, the definition of investment efficiency is also very different, the existing research methods can be divided into four categories: first, the actual investment scale of the company and the expected deviation to measure, when the deviation is large, the investment benefit of the enterprise will be reduced. Second, using the net interest rate of a company's input and output as a measure, when the net interest rate is negative, it shows that the company has overinvested; third, through the measurement of Tobin Q, fourth, from the point of view of distribution efficiency, that is to say, under certain investment conditions, the output can be maximized by optimal portfolio. First of all, the most extensive use of Richardson's method of measurement, the real money and the ideal situation of the deviation show.

When managers make investment decisions, they often encounter the contradiction between investment and income, which requires a lot of manpower and material resources, and a lot of time and energy, but if the investment is successful, higher returns are obtained. But in reality, because there are a lot of principal-agent problems, managers in order to pursue higher pay and reputation, usually take to expand the company's size, increase capital investment and other means, to get better pay and reputation.

In addition, managers often neglect projects with positive NPV, which results in underinvestment. Lack of investment, to a large extent, is due to the financial constraints of the enterprise, if the enterprise can not raise enough capital at a suitable price, companies would have to abandon projects that might generate cash income.

2.2 Measurement of Internal Control

In the current economic situation, the standard to measure the quality of internal control of enterprises has gradually changed to the core of information disclosure indicators. The core of this method is to mine the related information and data resources in depth according to the evolution process and reality of enterprise internal control, thus the internal control system of the quality of a comprehensive evaluation and analysis. Through the collection and analysis of these materials, we can effectively reflect the effect of various countermeasures adopted in accounting management, and its impact on the authenticity and integrity of accounting statements. This index can not only provide a more transparent and credible internal control evaluation sys-

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tem, but also make management pay more attention to internal control and improve the corporate governance. With the development of information technology and market transparency, it is an inevitable trend to establish a sound and effective corporate governance structure by measuring the quality of internal control through information disclosure. Its goal is to improve the internal control efficiency of the enterprise, the effective management of the enterprise. However, from the deep point of view, this method only aims at the needs of the data layer, and lacks the strategy to effectively transform it into the business environment. This mechanistic, patterned approach, to a certain extent, lacks flexibility and adaptability, and can not adapt to changes in the market environment and internal conditions to make corresponding adjustments.

Under the condition of modern market economy, the quality of internal control has become a major index to measure the level of an enterprise's management. Although this method has obvious advantages from the existing measurement methods, there are many problems in the practice, which will affect the purpose of internal control of enterprises, and thus affect the role of internal control of enterprises.

Still, let's look at the positive. Through the continuous optimization of internal control indicators, can promote the effectiveness of internal control and improve transparency. This will not only provide the necessary assurance to the enterprise, but also improve the overall stability and efficiency. Therefore, to strengthen the construction of internal control, and the internal control system to implement each link of the enterprise, has been a topic can not be ignored. In the current situation, when measuring the quality of accounting internal controls, the focus is not on the relative importance but on the results after development, internal measurements based on the current state of control objectives are likely to result in data discrepancies.

2.3 The Measurement of the Investment Efficiency of Enterprises

The expected new investment is mainly influenced by enterprise size, asset structure, cash flow, enterprise age, stock market return and new investment. The model is as follows:

$$invt[i,\ t] = \alpha + \beta * invt[i,\ t-1] + Z * X[i,\ t-1] + \varepsilon[i,\ t-1]$$

invt: New Investment in a business

X: represents control variables such as firm characteristics, industry characteristics, and year characteristics

The control variables included Tobin Q value, operating years, asset-liability ratio, cash flow (net cash flow from operating activities divided by total assets) , total assets, stock return considering cash dividend reinvestment, industry virtual variables, and annual virtual variables

ε: residuals of model estimates.

The investment efficiency of an enterprise is measured by the absolute value of the residual, and the greater the absolute value, the greater the investment efficiency loss and the lower the investment efficiency.

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3 The Influence of Internal Control on the Investment Efficiency of Enterprises

3.1 Internal Control and High-quality Development of Enterprises

As an important part of organizational management, the core idea of internal control is to ensure the stability and efficiency of enterprise operation in all kinds of potential risks. It is not only a set of theoretical framework or system arrangement, but a dynamic and adaptable management system, aiming at pre-prevention, mid-event monitoring and post-audit three key links, to enhance the effectiveness of enterprise management. In a wide range of research fields, many scholars at home and abroad have conducted in-depth discussion on the importance of internal control. They generally believe that good internal control can enhance the ability to resist risks, improve the quality of decision-making, optimize the allocation of resources, and promote the formation and development of corporate culture. In fact, internal control has proved to play a significant role in safeguarding the financial security of the company, improving operational efficiency and protecting the interests of investors. By improving the internal control system, enterprises can maintain competitiveness and achieve sustainable development in the fierce market competition. For example, to improve the quality of accounting information [1], to reduce the inefficient investment [2], to restrain the corrupt behavior of the management [3], to promote the innovation investment [4], and to improve the level of corporate social responsibility [5]. In addition, in theory, internal control can create a good working environment for the enterprise, can clearly and effectively monitor the various activities of the enterprise, fast and accurate management of business risks, help the enterprise to achieve development strategy, promote high-quality development of enterprises. From the Information asymmetry point of view, the different degree of information control of the enterprise will lead to completely different decision-making, which is also an important factor limiting the development of the enterprise.

Therefore, the internal control of the company can well reduce the agency problems and moral hazard caused by asymmetric information, and it can also motivate the management of the company to make the right business decisions according to the interests of the company, in order to achieve the sustainable development of enterprises.

3.2 Internal Control, Enterprise Investment Efficiency and High-quality Development

In the process of financial decision-making and activities, enterprises must take its benefits as an important way of resource allocation, and also related to the enterprise's financial performance, profitability and sustainable development. How the investment benefit of the enterprise, directly affects the overall benefit of the enterprise, but also affects the steady development of the enterprise. In a complete market environment, managers are determined by the net interest rate of investable items, that is, managers will give priority to items with positive net present value and continuous growth. But in practice, because of imperfect capital market, asymmetric information, agency problems and other factors, the investment behavior of enterprises has some defects. In recent years, although the total amount of investment in the capital market has been rising continuously, the investment efficiency is very poor and the investment failure rate is very high. The inefficient investment of enterprises not only leads to the waste of resources, but also has a negative effect on the normal operation of the market.

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According to the principal-agent theory, when the ownership and management of an enterprise are separated, because the financial objectives of the manager and the shareholders are not consistent, managers may deviate from shareholders' interests in their management for self-interest motive, and agency problem and its accompanying Information asymmetry problem are also the main factors inducing enterprises' inefficient investment [6] . Therefore, the enterprise must effectively deal with the principal-agent problem, in order to effectively enhance the investment benefits of enterprises. First, in the transmission and communication of information, managers may selectively disclose it because of their own interests, and effective internal control can reduce this situation, at the same time, the company can help improve the reliability of information and the quality of communication, so as to ensure that every position and every employee can get the relevant information about investment projects, and make active judgments. In terms of supervision and incentive mechanism, internal control is essentially an internal management system arrangement including supervision and incentive [7] .

Internal control can supervise the manager's business behavior, because the management's income will increase with the company's size [8-9] , out of personal interest maximization, managers have an incentive to build“Empires” that allow them to invest all the money they have at their disposal without discrimination, the existence of internal control can avoid such excessive investment behavior.

In addition, internal control can also create incentives for management to find better prospects for the development of investment projects, reduce under-investment by managers who are content with the present and content with the status quo [10] . In summary, through internal control, management can better manage their own business, better meet their responsibilities, at the same time, the company's activities will become more transparent. Improve the quality of the letter Cape, can help the company to raise more capital for effective investment, thus promoting the company's high-quality development.

4 Under the Internal Control Angle of View the Countermeasure of Improveing the Enterprise Investment Efficiency

4.1 Improve the Internal Control and Management System of Mnterprises

The aim of perfecting internal control system is to build a set of effective management system to prevent, detect and correct risks, and to ensure the realization of strategic objectives and asset safety. Building a good internal control environment requires the top leaders of enterprises to pay attention to and actively promote the construction of internal control culture, ensure the effective implementation of internal control responsibilities. Set up a special internal control organization or position, responsible for overall planning of the internal control system design, implementation and supervision.

Enterprises should establish a systematic risk identification and evaluation mechanism, conduct regular risk scanning, use risk matrix and other tools to quantify the impact of risk and possibility, risk map to visualize the risk situation. For the identified risks, formulate targeted response strategies and control measures, and through continuous monitoring to ensure effective risk management and control, strengthen the identification and management of key control points, design and implement appropriate approval authority, operating pro-

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cedures, information system control and other specific control measures. Ensure that control activities strictly follow established procedures and guard against potential risks through internal audits and periodic inspections.

4.2 Strengthening the Awareness of Investment Risks

The key to strengthen the awareness of risk investment is to create a culture atmosphere of facing risks actively, evaluating risks rationally and managing risks effectively, clearly express the importance and support of venture capital, and advocate the venture capital spirit of exploration and trial and error for the whole company to establish a correct risk concept. Organize regular training of venture capital knowledge and skills to enhance all staff's understanding and understanding of venture capital, and train their ability to identify, evaluate and respond to risks.

Set up the incentive mechanism linked to the venture capital performance, give the team or individual to the success of the venture capital material and spiritual rewards, stimulate the enthusiasm of the staff to participate in the venture capital. Establish a scientific risk assessment system, for each investment project for a comprehensive, multi-level risk assessment to ensure that the scientific and rational investment decision-making. Establish a perfect risk control mechanism, including risk early warning, risk isolation, risk hedging and other means to ensure that the risk of venture capital in the controllable range.

4.3 Improving the Internal Control System

Improve the internal control system of enterprises, the aim is to build a set of comprehensive, effective and dynamic risk prevention and control mechanism covering organizational structure, system specification, process design, risk identification and response, information communication and feedback. Establish a scientific and reasonable organizational structure, clear departments, posts of responsibility and authority, to ensure that the rights and responsibilities clearly, mutual checks and balances. At the same time, the establishment of an independent internal audit department or Post, responsible for the effectiveness of internal control of independent, objective evaluation and supervision. Develop a comprehensive and systematic internal control system covering finance, operations, human resources, information management and other areas to ensure that all business activities have a clear system basis. At the same time, regularly revise and improve the system to ensure that it is in line with the external environment, internal business changes.

Comb and optimize the various business processes to ensure that the process design is scientific, reasonable and efficient, reduce redundancy and strengthen key control points. Establish a sound information communication mechanism to ensure the smooth, accurate and timely internal information. At the same time, the establishment of information feedback mechanism, internal control implementation, risk status, audit results and other regular feedback for the continuous improvement of internal control to provide a basis.

4.4 To Improve the Overall Quality of Managers

To improve the overall quality of managers, the aim is to enhance their leadership, decision-making, execution, innovation, People skills and other capabilities, to meet the needs of enterprise development and market competition challenges. We should strengthen the training of managers, including management knowledge,

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management skills, management ideas, management tools and other aspects of training to enhance the professional quality of managers. At the same time, the establishment of education and training system, clear education and training objectives, content, methods, duration, etc. to ensure the effectiveness of education and training. Strengthen the practice of managers, including project management, team management, business management, strategic management and other practical training, enhance the ability of managers to fight. At the same time, the establishment of practical training system, clear objectives of practical training, content, methods, duration and so on, to ensure the effectiveness of practical training.

To establish an assessment and evaluation mechanism for managers, including performance assessment, Ability Assessment, moral assessment, potential assessment and other aspects of assessment and evaluation, to ensure that the overall quality of managers to be objective, fair and comprehensive evaluation. At the same time, the establishment of assessment and evaluation system, a clear assessment of the objectives, content, methods, duration, etc. to ensure the effectiveness of assessment and evaluation. Promote the incentive mechanism for managers, including compensation incentive, equity incentive, honor incentive, promotion incentive and other incentives to stimulate the enthusiasm, initiative and creativity of managers. At the same time, we should establish an incentive system to foster a corporate culture that is conducive to the growth of managers, including respect for talent, respect for innovation, Pursuit of excellence, and win-win cooperation, create an atmosphere conducive to the growth of managers.

5 Research prospect

First, we must strengthen the understanding of the company's internal control. Enterprises should strengthen internal governance, improve the internal control system, the high-quality internal control into the company's development process. At the same time, we should perfect the internal control of the company so that the shareholders can supervise the managers' decision-making, make the managers abide by the company's rules and regulations, and ensure the long-term stable development of the enterprise.

Second, to strengthen the internal control of enterprises. Strengthen the enterprise's internal control system construction, enhance the enterprise's discipline dynamics, increase the enterprise's illegal behavior cost. To strengthen the standardization and transparency of information disclosure of internal control, to enhance the communication and trust between enterprises, investors and government departments, and to create a good external environment for the improvement of internal control system.

Finally, the role of public supervision of the prosecution. It is necessary for the government supervision department, the third-party evaluation organization and the public to supervise the operation of the listed companies. The supervision and management departments should constantly improve the assessment system according to the actual situation of the enterprise in order to improve the effectiveness and referential value of the assessment results, give full play to its supervisory function, avoid managers to pursue profits and adopt“Black Box” behavior, to ensure the smooth and orderly development of enterprises.

By establishing a scientific and effective internal control system, we can effectively improve the operating conditions of enterprises and reduce the entrustment-agency between enterprises and the business risks brought by the asymmetry of enterprises. In order to achieve the sustainable development of enterprises, en-

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terprises need to establish a sound enterprise internal control system, and on this basis to implement.

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