The Effect of Internal Control Information Disclosure on Institutional Investor's Share Proportion

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Abstract: Internal control evaluation report is a very important information that enterprises publish to the public which will provide investors with investment reference information so that they can make correct choices. Institutional investors play very irreplaceable roles in the capital market, therefore, the institutional investor is examed as the representative of all investors in this article. In recent years, the real estate industry has developed rapidly in China which is in strict government regulation. Consequently, A-share real estate industry in Shenzhen and Shanghai Stock Exchanges are chosen as the research object to analyze the impact of information content of internal control flaws disclosure on the share proportion of institutional investors. The following conclusions are from empirical analysis in this article: there is a positive correlation between the disclosure of internal control information and the proportion of institutional investors in enterprises. The disclosure of internal control information has a significant impact on the proportion of institutional investors in private enterprises.

1. Introduction

Information asymmetry is a big problem in modern enterprise management whether between the manager and the owner or between the external reference enterprise information and the enterprise. Since it is difficult to get the internal information from managers, investors pay more attention to all the information which is useful that enterprises publish to the public.

Internal control evaluation report is a very important information that enterprises publish to the public which would let investors know the operation and management of enterprises and make investors believe that the information is true and effective, further reducing the impact of information asymmetry between internal and external investors of enterprises and help investors make more rational and correct investment choices. The government has issued a lot of internal control norm systems from 2008 to 2016 such as Basic Standards for Enterprise Internal Control and Electric Power Industry Internal Control Operational Guidelines, Accounting Reform and Development “13th Five-Year Plan Outline” and so on, which have helped our country make great breakthroughs in the construction of internal control norm system, further promoted the establishment and development of internal control system in various industries and provided guidance for the implementation, evaluation and improvement of internal control system. The attention paid by the relevant government departments to internal control shows that internal control plays an increasingly important role in the management of modern enterprises.

Institutional investors are very important participants in the capital market which have advantages in supervising and participating in the operation of business compared with other minority shareholders. It is an important work in China's capital market to make institutional investors develop increasingly in recent ten years. Each department is actively working to promote the development of various types of institutional investors to achieve this goal. China's institutional investors industry has made unprecedented progress at present which was reflected in the Third China Institutional Investors Summit held in 2016. The industry structure of institutional investors is constantly improving. Therefore, the institutional investor is chosen as the representative of
investors in the capital market in this article.

The government has made very strict regulations on information disclosure of listed companies, but not every enterprise will expose its weaknesses. A lot of enterprises choose to avoid weaknesses and disclose a little or less unfavorable information to enterprises.

In recent years, the real estate industry has developed rapidly in China. There are many enterprises which is convenient for comparison and at the same time, due to the stricter supervising of the real estate industry by the government, the information is more perfect. A-share real estate industry in Shenzhen and Shanghai Stock Exchanges are chosen as the research object and analyze the impact of useful information in the disclosure of internal control on the share proportion of institutional investors.

2. Literature Review

In the process of reading the literature, we recognized that the disclosure of internal control information has a certain impact on the decision of investors, so this article will analyze the literature from three aspects: Research on Influencing Factors of Internal Control Information Disclosure, Research on Rating of Information Disclosure of Internal Control and Research on the Impact of Internal Control Information Disclosure on Institutional Investors' Decision. The analysis will provide the research basis and direction for further research on the impact of internal control information disclosure on the share proportion of institutional investors.

2.1 Research on Influencing Factors of Internal Control Information Disclosure

The research shows that the company's operation, development and profitability have a certain influence on the disclosure of internal control information (Long Ye, 2014).

There is a significant correlation between the change of senior management and the disclosure of internal control information and a significant negative correlation between the scale of the company and the disclosure of internal control information (Jie Chen, 2012). There is a significant positive correlation between the voluntary disclosure of internal control information and the total scale of enterprise assets (Hongxing Fang, 2009).

Changing certified public accountants' firms and employing the “Famous Four” auditors will further promote the disclosure of internal control information and the setting of audit committees will also have a significant impact on the disclosure of internal control information (Shaoqing Song and Xia Zhang, 2009).

Generally speaking, the firms with internal control deficiencies have worse accounting conservatism, but taking effective measures to rectify the deficiencies in their internal control, their accounting conservatism will be improved which indicates that accounting conservatism will also have an impact on the disclosure of internal control information (Xu Xie, 2015).

In order to show the performance of their fiduciary responsibilities better, improve their own income and get a good reputation, the management is more willing to disclose internal control information which investors can use to make investment decisions that is in favor of the enterprise (Hongguang Qian and Wen Lu, 2011).

2.2 Research on Rating of Information Disclosure of Internal Control

The information content rating method of internal control information disclosure has also made a lot of achievements in previous studies. Through quantitative research on the disclosure of internal control information, an index system of internal control information disclosure is established which includes the authenticity, timeliness and integrity of information disclosure (Yufeng Yang, 2010). Relevant indicators to measure the disclosure of internal control mainly include: management's recognition of internal control objectives; whether management is responsible for internal control or not; whether the board of directors carries out corresponding evaluation based on the effectiveness of internal control or not; whether the audit committee declares its responsibilities or not; enterprise risk management; whether the board of auditors make recommendations or not; Whether the board of supervisors conducts meetings and discussions at
least once a year based on the evaluation of internal control by executive directors, etc. (Deumes & Knechel, 2008).

The disclosure of internal control information of listed enterprises is rated by the self-designed scoring method. If both internal control self-evaluation report and certified public accountant's appraisal report are disclosed at the same time, they will be rated as 7 points. If only the appraisal report of certified public accountant, they will be rated as 6 points (Hongxing Fang and Yi Sun, 2007). Introducing the content analysis method into the five elements of internal control as the research subject. The index system related to the disclosure of internal control information of enterprises is established which includes the internal situation of enterprises, accounting (financial) control, investment management of enterprises, internal and external supervision of enterprises, defects of internal control of enterprises and so on. (Shuguang Zhou and Lirong Chen, 2011).

2.3 Research on the Impact of Internal Control Information Disclosure on Institutional Investors' Decision

There is a positive relationship between the disclosure of internal control information and the stock price of listed companies; voluntary disclosure of internal control information can reflect the value of the company better than compulsory disclosure and detailed disclosure can promote the rise of the stock price of the enterprise; as the disclosure of internal control information is a combination of voluntary and compulsory, institutional investors will get more sufficient and reliable information from the enterprise which also make the decision-making response of investment better (Qingxiang Yang, 2012).

Detailed disclosure of internal control information can increase the trust of institutional investors in enterprises, thus making the possible for them to invest (Jixun Zhang, 2011). The disclosure of internal control information and business performance also show a significant positive correlation, because internal control information disclosure can provide help to institutional investors' investment behavior (Xiaolan Zhang, 2012).

Compared with enterprises that disclose internal control information voluntarily and those who are reluctant to disclose internal control information, the market and investors' reactions are different (Zhongbo Yu and Gaoliang Tian, 2009). The more the disclosure information content of internal control information of listed companies is, the more which can help institutional investors to know more about the enterprise and tell the validity of financial reports and make decisions accordingly (Jixun Zhang and Wenhuan Liu, 2014). Therefore, detailed disclosure of internal control information would make institutional investors trust the enterprise more and shows that internal control is in right way to institutional investors (David M Will, 2000).

3. Theoretical basis and research hypothesis

3.1 Theoretical basis

Principal-agent theory is a very important part of contract theory in institutional economics which relationship refers to the restricted relationship established by the principal and the agent by signing the contract. The agent ought to take actions according to the principal's requirement.

Jensen and Meckling (1976) argued that the conflict between the agent and the principal is caused by the inconsistency of their own interests and information asymmetry, the agent takes his own advantages to maximize his own benefits and gains the principal's interests. Therefore, the source of agency problem is information asymmetry and agency cost.

Generally speaking, the agency cost of a company is mainly three agency relationship: First is the agency conflict between shareholders and managers. Managers have more information and in order to make their own work easier and office equipment better and other benefits, they often induce moral hazard and its adverse selection. Second is the agency conflict between shareholders and creditors. Creditors make binding clauses in debt contracts to prevent shareholders from investing blindly in pursuit of their own benefits. Finally is the agency conflict between major shareholders and minor shareholders. In order to solve the first type of agency problem, the
proportion of major shareholders can be increased.

Institutional investors are important participants in the capital market and one of the company's important shareholders who have their own unique advantages compared with other minority shareholders.

The effective supervision hypothesis holds that institutional investors use their advantages of informatization, specialization and scale effect to force managers to improve the company's condition by exercising their voting rights, submitting shareholder's proposals, communicating with management or selling stocks when benefits exceed costs. Optimizing the internal control structure, reduce the rent-seeking behavior of major shareholders and give full play to the function of governance.

3.2 Research hypothesis

Regression model is used in this article and the analysis is as follows:

It is found from previous studies that the disclosure of internal control information affects investors. Disclosure of internal control information helps investors to get relevant information of enterprises, so the more effective information disclosure is, the stronger investment desire of institutional investors will be. Accordingly, this article proposes hypothesis 1:

H1: There is a positive correlation between the disclosure of internal control information and the share proportion of institutional investors in enterprises.

There are not obvious credit discrimination and financing restrictions in state-owned enterprises, so the demand for non-bank financing channels represented by institutional investors is next to nothing, but private enterprises are more obviously constrained by formal finance, so there is a great demand for institutional investors. Accordingly, this article proposes hypothesis 2:

H2: The disclosure of internal control information has a more significant impact on the share proportion of institutional investors in private enterprises than state-owned enterprises.

4. Research Design

4.1 Research Data

This article studies the impact of disclosure of internal control information on the share proportion of institutional investors. Therefore, there are two main research subjects in this article: the disclosure of internal control information and the share proportion of institutional investors. In recent years, the real estate industry has developed rapidly in China which is in strict government regulation and there are enough information to check. As a result, A-share real estate industry in Shenzhen and Shanghai Stock Exchanges are chosen as the research object to analyze.

Starting from the disclosure of internal control information which is pick out from the three-year annual reports of real estate enterprises from 2015 to 2017 and modelling the internal control scoring. In the annual report, check the total share proportion of all institutional investors in each enterprise during the three years.

Then, with the level of internal control information disclosure as explanatory variable and the sum of the share proportion of institutional investors as dependent variable to build the regression model and make the regression analysis.

This article chooses the internal control evaluation reports of 38 Chinese listed enterprises (Vanke Real Estate, Poly Real Estate, Zhejiang Guangxia Real Estate, Wanda Real Estate, etc.) in A-share real estate industry in Shenzhen and Shanghai Stock Exchanges from 2015 to 2017 as the research sample. Data comes from CSMAR database and East Money Net.

4.2 Research Variable

(1) Interpreted Variable: Institutional Investor Shareholding proportion (SRII)

The dependent variable is the market response which is expressed by the share proportion of institutional investors in listed enterprises (SRII).

(2) Explanatory variable - Internal Control Information Disclosure (DIDIDIC) explanatory...
The disclosure of internal control information (DIDICit) is a hierarchical variable. According to the contents of the internal control evaluation report, build a rating standard of internal control disclosure. In this article, the data of disclosure of internal control information are from the audit reports of each enterprise. The standard are whether the selected indicators disclose the internal control evaluation report or not, whether to issue the conclusion of the internal control evaluation report or not, whether the internal control is effective or not, whether there are defects in the internal control or not and whether to take corrective measures. There are four grades of the evaluation results: excellent, good, qualified and unqualified. The excellent is 3, the good is 2, the qualified is 1 and the unqualified is 0. If the enterprise discloses the internal control evaluation report, issues the conclusion of the internal control evaluation report, the internal control is effective and there are no defects in the internal control, it is excellent. If the enterprise discloses the internal control evaluation report, issues the conclusion of the internal control evaluation report, and the internal control is effective, the internal control has defects and corrective measures are taken, it is good. If the enterprise discloses the internal control evaluation report, issues the conclusion of the internal control evaluation report and the internal control is effective, the internal control has defects but without corrective measures, it is qualified. If the enterprise fails to disclose its internal control evaluation report, it is unqualified.

(3) Control variable

Through reading the existing studies, earnings per share, accounting firms and audit opinions of financial statements have a significant impact on the shareholding ratio of corporate institutions. There is a significant impact on the share proportion of Institutional Investor from earnings per share, accounting firms and audit opinions of financial statements through available research. Therefore, this article introduces earnings per share, accounting firms and audit opinions of financial statements as control variables of the model. Specific definitions of variables are shown in Table 1.

<table>
<thead>
<tr>
<th>Variable type</th>
<th>Variable name</th>
<th>Variable symbols</th>
<th>Variable definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interpreted Variable</td>
<td>the share proportion of Institutional Investor</td>
<td>SRII</td>
<td>The total proportion of shares held by funds, securities firms, insurance companies, trusts and overseas investors</td>
</tr>
<tr>
<td>explanatory variable</td>
<td>The disclosure of internal control information</td>
<td>DIDIC</td>
<td>The excellent is 3, the good is 2, the qualified is 1 and the unqualified is 0</td>
</tr>
<tr>
<td>control variable</td>
<td>earnings per share</td>
<td>EPS</td>
<td>Rae of after-tax profits to capital stock</td>
</tr>
<tr>
<td></td>
<td>accounting firms</td>
<td>BIG4</td>
<td>BIG 4=1, Non-BIG 4=0</td>
</tr>
<tr>
<td></td>
<td>audit opinions of financial statements</td>
<td>AUDIT</td>
<td>Standard without opinions=1, others=0</td>
</tr>
</tbody>
</table>

4.3 Research model

\[ SRII_{it} = \beta_0 + \beta_1 \text{DIDIC}_{it} + \beta_2 \text{EPS}_{it} + \beta_3 \text{BIG4}_{it} + \beta_4 \text{AUDIT}_{it} + \epsilon \] (1)

The verification of hypothesis 2 is based on the data analysis of hypothesis 1. Compare and study the influence of internal control information disclosure in groups on the share proportion of institutional investors between private enterprises and state-owned enterprises. \( \beta_0 \) is a constant term, \( \beta_1, \beta_2, \beta_3, \beta_4 \) are regression coefficients and \( \epsilon \) is a random term.
5. Positive analysis

The research content of this article is the influence of the disclosure of internal control information on the share proportion of institutional investors and makes an positive analysis of it which mainly includes descriptive statistical analysis, correlation analysis and multiple regression analysis.

5.1 Descriptive statistical analysis

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>minimum (M)</th>
<th>maximum (X)</th>
<th>average (E)</th>
<th>standard error</th>
</tr>
</thead>
<tbody>
<tr>
<td>SRII</td>
<td>104</td>
<td>.1370</td>
<td>58.8200</td>
<td>6.097221</td>
<td>9.7283639</td>
</tr>
<tr>
<td>DIDIC</td>
<td>104</td>
<td>.0000</td>
<td>5.0000</td>
<td>4.057692</td>
<td>1.4130249</td>
</tr>
<tr>
<td>EPS</td>
<td>104</td>
<td>-1.0207</td>
<td>3.0291</td>
<td>.660131</td>
<td>.6602988</td>
</tr>
<tr>
<td>BIG4</td>
<td>104</td>
<td>.0000</td>
<td>1.0000</td>
<td>.134615</td>
<td>.3429651</td>
</tr>
<tr>
<td>AUDIT</td>
<td>104</td>
<td>2.0000</td>
<td>4.0000</td>
<td>3.923077</td>
<td>.3324609</td>
</tr>
</tbody>
</table>

The standard error of disclosure of internal control information is 1.413 according to Table 2 of Statistical Results of Data Description which shows that the disclosure of internal control information is different among enterprises. The standard error of the share proportion of institutional Investor is 9.728 which indicate that there is a great difference in the share proportion of institutional investors among enterprises. The standard error of earnings per share is 0.66 which indicates that the earnings per share of each enterprise have little difference. The average value of the BIG4 is 0.134 which indicates that there are fewer enterprises to choose the BIG4. The standard error of audit opinions on financial statements is 0.332 which indicates that there is little difference in audit opinions on financial statements among enterprises.

5.2 correlation analysis

This article tests the correlation between various factors and the share proportion of institutional investors, and the results are shown in Table 3.

<table>
<thead>
<tr>
<th></th>
<th>SRII</th>
<th>DIDIC</th>
<th>EPS</th>
<th>BIG4</th>
<th>AUDIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>SRII</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DIDIC</td>
<td>.033*</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EPS</td>
<td>.047**</td>
<td>-.054</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BIG4</td>
<td>.432**</td>
<td>.064</td>
<td>-.165</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>AUDIT</td>
<td>.131*</td>
<td>-.052</td>
<td>.157</td>
<td>-.249*</td>
<td>1</td>
</tr>
</tbody>
</table>

Note: **,** Represents a significant level of 1% and 5% respectively.

According to the relevant test results, the correlation coefficient between the disclosure of internal control information and the share proportion of institutional investors is 0.033 at the 5% significant level which shows that there is a significant positive correlation between them. The correlation coefficient between earnings per share and the share proportion of institutional investors is 0.047 at the 1% significant level which shows that there is a significant positive correlation between them. The correlation coefficient between the BIG4 and the share proportion of institutional investors is 0.432 at the 1% significant level which shows that there is a significant positive correlation between them. The correlation coefficient between audit opinions of financial statements and the share proportion of institutional investors is 0.131 at the 5% significant level which indicates that there is a significant positive correlation between them.

Meanwhile, it is discovered that the correlation coefficient between the disclosure of internal control information, whether it is BIG4 or not, earnings per share and audit opinions of financial statements is less than 0.8. Now we can determine that there is no multicollinearity among variables.
5.3 Multiple Regression Analysis

This article further studies the impact of the disclosure of internal control information on the share proportion of institutional investors by regression method. The regression results are shown in Table 4.

Table 4 regression results

<table>
<thead>
<tr>
<th>Model</th>
<th>regression coefficient</th>
<th>typical coefficient</th>
<th>t</th>
<th>Significance level</th>
<th>Colinearity statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>(constant)</td>
<td>-11.704</td>
<td>-1.664</td>
<td>.105</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DIDIC</td>
<td>.401*</td>
<td>.173</td>
<td>1.812</td>
<td>.079</td>
<td>.974</td>
</tr>
<tr>
<td>EPS</td>
<td>.706***</td>
<td>.159</td>
<td>1.657</td>
<td>.107</td>
<td>.960</td>
</tr>
<tr>
<td>BIG4</td>
<td>50.692***</td>
<td>.759</td>
<td>8.062</td>
<td>.000</td>
<td>.999</td>
</tr>
<tr>
<td>AUDIT</td>
<td>4.876***</td>
<td>.268</td>
<td>2.795</td>
<td>.008</td>
<td>.962</td>
</tr>
<tr>
<td>R power</td>
<td>0.669</td>
<td>F</td>
<td>19.782</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjust R power</td>
<td>0.664</td>
<td>Significance level</td>
<td>0.000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: *** ** * Represents a significant level of 1%, 5%, 10% respectively

According to the regression results, the fitting of the adjusted model is 0.664. It is discovered that there are 66.4% resolution for the share proportion of institutional investors among the disclosure of internal control information, whether it is BIG4, earnings per share and audit opinions of financial statements. Regression equation is from regression coefficient.

$$SRRI_{it} = -11.704 + 0.401DIDIC_{it} + 0.706EPS_{it} + 50.692 BIG4_{it} + 4.876 AUDIT_{it}$$

The regression coefficient between the disclosure of internal control information and the share proportion of institutional investors is 0.401 at the 10% significant level, which shows that the disclosure of internal control information has a significant positive correlation with the share proportion of institutional investors. That is to say, for every positive change in the disclosure of internal control information, the share proportion of institutional investors is also changing by 0.401 units. The more the disclosure of internal control information is, the more share proportion the institutional investors hold which is the disclosure of internal control information plays a positive role in promoting the share proportion of institutional investors. It is the same with hypothesis 1 which is also verified.

The regression coefficients of earnings per share, whether it is BIG4 or not and audit opinions on financial statements are positive at the 1% significant level which indicates whether it is BIG4 or not and audit opinions on financial statements have a significant positive correlation and shows that earnings per share, whether it is BIG4 or not, and audit opinions on financial statements play a positive role in promoting the share proportion of institutional investors.

5.4 classification and regression methods

There are 2 parts of the research sample which are state-owned and non-state-owned enterprises for comparative analysis.

The regression results show that each model has passed the F test at the 1% significant level and we can find that the regression effect of the two models is not bad in general.

According to the regression results of state-owned samples, the regression coefficient between the disclosure of internal control information and the share proportion of institutional investors is 0.628 at the 1% significant level which shows that there is a significant positive correlation between the disclosure of internal control information and the share proportion of institutional investors in state-owned sample enterprises. That is to say, for every positive change in the disclosure of internal control information, the share proportion of institutional investors is also changing by 0.628 units. In other words, the disclosure of internal control information of state-owned enterprises has played a positive role in promoting the share proportion of institutional investors.
Table 5 classification and regression results

<table>
<thead>
<tr>
<th></th>
<th>state-owned</th>
<th>non-state-owned</th>
</tr>
</thead>
<tbody>
<tr>
<td>DIDIC</td>
<td>0.628***</td>
<td>1.956***</td>
</tr>
<tr>
<td></td>
<td>(5.388)</td>
<td>(3.352)</td>
</tr>
<tr>
<td>EPS</td>
<td>0.087</td>
<td>0.026</td>
</tr>
<tr>
<td></td>
<td>(-0.462)</td>
<td>(-0.036)</td>
</tr>
<tr>
<td>BIG4</td>
<td>7.186</td>
<td>9.998***</td>
</tr>
<tr>
<td></td>
<td>(1.206)</td>
<td>(4.138)</td>
</tr>
<tr>
<td>AUDIT</td>
<td>5.334***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(6.604)</td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>6.542*5**</td>
<td>-5.799</td>
</tr>
<tr>
<td></td>
<td>(12.834)</td>
<td>(-1.374)</td>
</tr>
<tr>
<td>R power</td>
<td>0.426</td>
<td>0.841</td>
</tr>
<tr>
<td>Adjust R power</td>
<td>0.384</td>
<td>0.808</td>
</tr>
<tr>
<td>F</td>
<td>10.152***</td>
<td>25.206***</td>
</tr>
</tbody>
</table>

Note: ***,**,*Represents a significant level of 1%,5%,10% respectively, T in parentheses

According to the regression results of non-state-owned samples, the regression coefficient between the disclosure of internal control information and the share proportion of institutional investors is 1.956 at the 1% significant level which shows that there is a significant positive correlation between the disclosure of internal control information and the share proportion of institutional investors in non-state-owned sample enterprises. That is to say, for every positive change in the disclosure of internal control information of non-state-owned enterprises has played a positive role in promoting the share proportion of institutional investors.

In summary, the regression coefficient between the disclosure of internal control information and the share proportion of institutional investors in state-owned and non-state-owned enterprises are 0.628 and 1.956 at the 1% significant level. We can find that the disclosure of internal control information of non-state-owned enterprises has more impact on the share proportion of institutional investors than that of state-owned enterprises. It is the same with hypothesis 2 which is also verified.

6. Research conclusion and Thoughts

6.1 conclusions

The real estate enterprises are the research object which are divided into state-owned and non-state-owned enterprises to comparative analysis with documentary analysis and empirical analysis in this article.

Through the empirical analysis of the disclosure quality of internal control information and the share proportion of institutional investors, summarize the relationship between them.

In the process of empirical analysis, first we make descriptive statistical analysis of variables, then correlation analysis and finally regression analysis.

The following conclusions are from the research:

(1) There is a positive correlation between the disclosure of internal control information and the share proportion of institutional investors in enterprises. Empirical analysis shows that the disclosure of internal control information has a positive effect on the share proportion of institutional investors in enterprises. Whether it is BIG4 or not and audit opinions of financial statements have a positive effect on the share proportion of institutional investors, while the effect of earnings per share is little. Improving the quality of internal information disclosure can promote the increase of the share proportion of institutional investors in enterprises.

Generally speaking, high-quality internal information disclosure can play a more effective role in value added and improve enterprises performance.
(2) The disclosure of internal control information in private enterprises has a more significant impact on the share proportion of institutional investors than state-owned enterprises.

6.2 Thoughts

A lot of executives of enterprises have not yet realized the value-added role of the quality of internal information disclosure, thus looking down upon the construction of internal control and the internal control function is in bad condition. Collecting data is not easy and we have to analyze from information which are already disclosed outside. Wishing that this article can make a statistical description and quantitative analysis of the impact of disclosure information content of internal control defects on the share proportion of institutional investors, we could find out the impact of internal control defect disclosure on investors though it is not comprehensive. In this way, the enterprises will realize the importance of internal control from the attitude of the disclosure of institutional investors, improve and perfect the enterprise’ internal control and try our best to improve China's economic market.

References


