

Internal Capital Market Efficiency Study Based on Improved Cash Flow Sensitivity Coefficient - Take Tomorrow Group as an Example

Authors : Peng Lu, Liu Ting

Abstract : Because of the difficulty of financing from the external capital market, the reorganization and merger of private enterprises have formed a family group, seeking the help of the internal capital market to alleviate the capital demand. However, the inefficiency of the internal capital market can damage the effect it should have played, and even hinder the development of enterprises. This paper takes the "Tomorrow Group" as the research object to carry on the case analysis. After using the improved cash flow sensitivity coefficient to measure the efficiency of the internal capital market of Tomorrow Group, the inefficiency phenomenon is found. Then the analysis reveals that the reasons for its inefficiency include that the pyramidal equity structure is conducive to control, the separation of cash flow rights and control rights, the concentration of equity leads to poor balance, the abandonment of real industries and information asymmetry.

Keywords : tomorrow group, internal capital market, related-party transactions, Baotou tomorrow technology Co., LTD

Conference Title : ICAAF 2020 : International Conference on Accounting, Auditing and Finance

Conference Location : Barcelona, Spain

Conference Dates : February 10-11, 2020