

Research on Executive Compensation Incentives and Internal Control: Evidence from China

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Abstract : This paper examines the impact of executive compensation incentives on internal control effectiveness and further analyzes the moderating role of digital transformation in this relationship. Through empirical analysis of relevant data of A-share listed companies in Shanghai and Shenzhen from 2012 to 2022, the results of the study show that there is a significant positive relationship between executive compensation incentives and internal control quality. Digital transformation plays an important moderating role in this relationship. Specifically, executive compensation incentives directly enhance the effectiveness of internal control by increasing executives' motivation and responsibility. At the same time, digital transformation further strengthens the positive impact of executive compensation incentives on the quality of internal controls by increasing information transparency and management efficiency. In addition, the study finds that the impact of executive compensation incentives on internal control quality is more significant in firms with higher levels of digital transformation. This study provides theoretical and practical guidance for enterprises to design and implement effective executive compensation incentives, promote digital transformation, and improve internal control quality.

Keywords : executive compensation incentives, internal control, digital transformation, corporate governance

Conference Title : ICIBMS 2025 : International Conference on International Business and Management Studies

Conference Location : Tokyo, Japan

Conference Dates : January 09-10, 2025