

## **INTERNAL CONTROL AND IMPACT OF FINANCIAL PERFORMANCES IN FINANCE SECTOR**

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### **Abstract**

Internal Control System is a vital role in the every organization to achieve their management objectives. They are a set of policies and procedures adopted by an entity in ensuring that an organization's transactions are processed in the appropriate manner to avoid waste, theft and misuse of organization resources (Kamau 2013; Ndifon & Ejom 2014; Mwakimasinde 2014; Basoln 2002). The vital component of a bank's structure in modern banking system is the internal control system since effective and efficient performance of the system indicates that the bank operates as desired. Consequently, investors and other customers in the market will prefer to use the services of that bank since they will have confidence and peace of mind about bank's financial stability.

This study will investigate the impact of internal control system in finance sector in Sri Lanka to the financial performances of them. In this study, internal control is measured by Risk assessment, Control activities, Segregation of duties, Cost for securities, Investment in information system and Cost of training and developments, and financial performances are measured by the Liquidity. For the research it is selected a sample of 15 financing companies in Sri Lanka that covering Licensed Finance Companies, Licensed Commercial Banks and Licensed Specialized Banks. Data will be evaluated using descriptive analysis, correlation analysis, and simple regression analysis. The research is expected to find out the relationship between internal control system and financial performances as well as to find out the major determinants of internal control system in the finance sector in Sri Lanka.

**Key words:** Internal Control System; Financial Performances; Finance Sector