

## **The Impact of Internal Controls on Organizational Performance of State-Owned Commercial Banks in Sri Lanka**

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Internal control system plays an important role in determining how banks achieve their performance in a competitive business landscape. This study proposes to investigate the impact of internal controls on organizational performance of state-owned commercial banks in Sri Lanka. For this study, internal control was measured by five components: control environment; control activities; risk assessment; information; and communication, and monitoring as per COSO (Committee of Sponsoring Organizations of Tread Way Commission). 132 executive level employees from state-owned commercial banks in the Central province responded to the questionnaire. Respondent sample was selected using stratified sampling technique. Correlation analysis revealed that internal controls have a significant positive relationship with organizational performance in the case of state-owned commercial banks in the Central Province. This means that state-owned commercial banks should pay more attention to internal controls pertaining to control activities and risk assessment because these variables predict the organizational performance of state-owned commercial banks in the Central Province of Sri Lanka.

***Keywords:*** *Internal Controls, Organizational Performance, State-owned Commercial Banks*

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