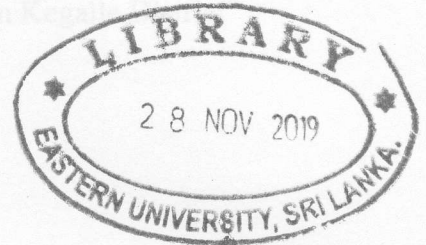


**THE IMPACT OF INTERNAL CONTROL SYSTEM ON  
FINANCIAL PERFORMANCE OF SMALL AND MEDIUM  
SCALE MANUFACTURING ENTERPRISES IN KEGALLE  
DISTRICT**



by

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## ABSTRACT

The main objective of this study is to find the Internal Control Systems among Small and Financial Performance in Kegalle District. Current Business trends have made it imperative for almost all Small and Medium Manufacturing Enterprises to maintain an Internal Control System. It was concluded that manufacturing firms that had invested on effective internal control system had more improved Financial Performance as compared to those manufacturing firms that had a weak internal control system. The study examined the Impact of Internal Control System on Financial Performance of Small and Medium Scaled Manufacturing Enterprises in Kegalle District. As per their Environment (CE), Control Activities (CA), Information and Communication (IC); and Monitoring (M). In Sri Lankan context, a few empirical studies have been conducted with the relationship between Internal Control System and Financial Performance. So there is an empirical knowledge gap exists in the Internal Control System and Financial Performance. Hence, this study attempts to fill this knowledge gap.

The study exploited information by the help of primary data. Data was collected from Two Hundred (200) owners of Small and Medium Manufacturing Enterprises and analyzed it using descriptive statistics, Correlation analysis, Regression analysis and Hypothesis. Univariate analysis was used to find out the values for mean, standard deviation and percent by using the variables. Bivariate analysis was used to find out the impact and relationship between Internal Control System and financial performance. They were presented in charts, tables and graphs using the Software Statistical Package of Social Science, version 22.0.

According to the analysis, the finding showed Internal Control System of Small and Medium Manufacturing Enterprises is at high level and also Financial Performance is at high level. Further there is strong positive relationship between Internal Control System and Financial Performances. Based on the findings of the study, it is concluded that Internal Control Systems as supported by the study findings significantly influence the Financial Performance of Small and Medium Manufacturing Enterprises in kegalle district.

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