

PDF - IMPACT OF INTERNAL CONTROL SYSTEM ON PROFIT PERFORMANCE OF COMMERCIAL BANKS - researchcub.info **ABSTRACT**

This study primarily aims at finding out the impact of internal control system on the profit performance of commercial banks in Nigeria with an empirical study on Orient Bank of Nig. Plc and United Bank of Africa Plc.

Internal control systems impact on commercial banks might be as a result of non-adherence to the system or stringent, inflexible adherence on the system. These two extremes will invariably have adverse effect on the profit performance of the commercial banks and as such the management will always try to strike a balance or trade-off for their profit maximization.

The paper therefore tends to evaluate the extent of adherence to internal control system, its impact on the profit performance of OBN PLC and UBA PLC and control strategies to be adopted to revitalize or moderate the system.

This project is divided into five (5) chapters –

Chapter One: This is the introductory chapter that provides information about internal control system. This chapter gives insight of the problem identification, objectives and significant of study, hypothesis to be tested and scope and limitations of the study.

Chapter Two: This is the Literature Review which makes good references to people that carried out the studies on internal control. It includes the importance and qualities of good internal control and also qualities expected of bank staff. Chapter Three: This includes Research design, scope and methodology.

Chapter Four: This involves presentation and analysis of data collected.

Chapter Five: This includes the Summary, Recommendation and Conclusions.

## **CHAPTER ONE**

### **INTRODUCTION ANALYSIS**

#### **1.1 GENERAL INTRODUCTION**

Internal control is the set of accounting and administrative control and practices that helps managers in operating their organization more effectively and efficiently. It ensures that both the accounting and administrative activities are in order with the laid down procedures, standards, and statutory requirements. It also detects deviation if any and calls for immediate corrective measure. In any profit oriented organization, the objective of management is to maximize profit, and internal control is a technique that can be of assistance in attaining such maximizations.

Banking is a venture undertaken primarily for profit and whose operation should at least include taking money on account and releasing of such money wholly or partly on demand or authority of the depositor.

An important object of banking particularly in the developing countries is the promotion of economic development. In pursuance of this economic development as well as banks' profitability, banks tends to improve on their services by devising methods of sound and effective system of internal control.

This study therefore, intends to evaluate how the internal control policies have affected the profit performance of commercial banks with particular reference to Orient Bank of Nigeria Plc and United Bank for Africa Plc.

## **1.2 PROBLEM IDENTIFICATION**

There have been incessant cases and stories been told about high frequency of fraud, embezzlement, overcharging, manipulation, missing files and ledger cards and other banking malpractices in banks today, with the management and shareholders not knowing how to handle the adverse situation.

The Orient Bank of Nigeria (OBN) Plc and United Bank of Africa (UBA) Plc were not left out in these increase in crime – wave problems and banking malpractices, despite the existence of inter-control and devices adopted to detect fraud. This situation has culminated in the lack of confidence by the staff, shareholders and customer over the growth and profitability of the banks.

Moreso, with the proliferation of banks and also the increase in rural banking, with commercial bank's branches, the volume of accounting records has drastically increased, thereby necessitating the appraisal of the adequacy and reliability of records, and overall efficiency of operations.

Furthermore, with the public interest in the "truth and fairness" of financial statements – profit and loss account and balance sheet, whose stratum of reliable is on the internal control system, the research is therefore aimed at investigating the extent of adherence to the internal control system and its impact on the profit performance of the banks.....

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