

Impact of Internal Controls on Organizational Performance of Hotel Sector in Central Province

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Abstract

The internal control system is an important component in hotel sector organizations to achieve their management objectives. It maintains the assets of a company and ensuring the accuracy and reliability of information and reports related to the accounting and other procedures, and increasing the effectiveness of the operations. There are so many threats that are raised due to poor internal controls in hotel organizations such as theft, defalcation, false claims, misuse of funds and assets, working capital issues, and others. The main objective of the study is to examine the impact of internal controls on the organizational performance of hotels in the Central Province of Sri Lanka. In this study, internal control is measured by using the five components: control environment, control activities, risk assessment, information and communication, and monitoring, whereas organization performance is measured through three dimensions: financial performance, employee satisfaction, and customer satisfaction. Five hypotheses were developed to achieve the objective of the study. A sample of 180 respondents was selected who representing chief officers of all departments in five hotels in the Kandy and Matale districts. The structured questionnaire was used to collect the primary data. The statistical methods of correlation and regression analysis were used by the researcher for testing the research hypotheses. Results revealed that internal controls have a significant positive impact on organizational performance. Accordingly, the researcher recommends to hotels increase their internal controls of the control environment and information and communication which were predictors of the organizational performance in accordance with multiple regression results.

Keywords: Hotel sector, internal controls, organizational performance