RESEARCH ON THE RELATIONSHIP BETWEEN INTERNAL CONTROL QUALITY AND FIRM PERFORMANCE – A CASE STUDY OF FINANCIAL INDUSTRY

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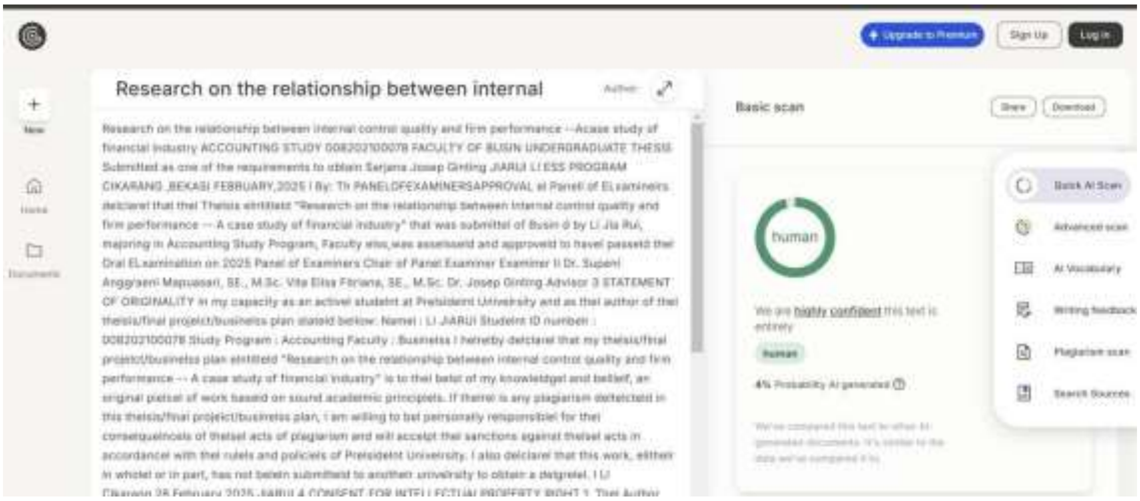
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Abstract

The relationship between internal control quality and firm performance has been a key topic in financial management and corporate governance. This study examines how internal control quality affects enterprise performance in the financial industry, offering both theoretical insights and practical implications for internal management and supervision. An evaluation system for internal control quality is proposed, incorporating five dimensions: control environment, risk assessment, control activities, information and communication, and monitoring. Structural equation modeling is used for empirical analysis, based on data from listed companies in China's financial sector. A robustness test using panel data ensures the results are not influenced by time or individual effects. The findings reveal a significant positive relationship between internal control quality and enterprise performance, meaning that high-quality internal control can improve performance. Specifically, the control environment and risk assessment have the most substantial impact on performance, highlighting the importance of a strong internal control culture and effective risk management mechanisms. The study also identifies differences in the relationship between internal control and performance across various types of financial enterprises (e.g., banks, securities, insurance), offering a new perspective on industry segmentation. This paper contributes to understanding the connection between internal control quality and corporate performance in the financial industry and provides empirical evidence for financial enterprises to optimize internal control systems and enhance operational efficiency. Future research could further explore the dynamic relationship between internal control quality and performance, as well as the specific role of internal control in financial risk prevention and control, offering deeper theoretical support for financial regulatory policies.

Keywords: internal control, enterprise performance, financial industry, management quality, operating efficiency

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