

The Macrotheme Review

A multidisciplinary journal of global macro trends

An investigation on the internal control in the banking in Taiwan

Chi-Jung Hsieh and Chun-Ho Pan

Department of Finance, National Changhua University of Education in Taiwan

Abstract

To protect the rights and interests of investors and to maintain a stable financial system, the Committee of Sponsoring Organizations of the Treadway Commission (COsO) in the United States has published "Internal Control-Integrated Framework" for helping the enterprises and organizations to evaluate and to enhance their internal control system. In November 2002, the Taiwanese government published and implemented "Regulations Governing Establishment of Internal Control Systems by Public Companies" and amended regulation 23 and 24 in 2003. In 2005, Finance Supervisory Commission of Executive Yuan was established and has started its main task to monitor public company in practice under the Annual Audit Plans. Since then, an amount of penalty cases in finance industry has reported, including embezzlement, audit and credit flaws, and internal control. The internal control of these penalized banks is not compliant with the government regulations, which might put the investors under great risks. In Chinese society, people put a great emphasis on interpersonal relationship. It would raise a question whether financial employees might take advantage of interpersonal relationship to act at their own discretion. To answer this question, this study attempted to observe the current internal control state of financial institutions from the aspect of financial employees, and to analyze the relationships among financial employees as well as the connection between the guanxi and job performance. The result showed that, in personal information, the monthly wages significantly and positively affect the job performance of financial employees, which implies: firstly, if the financial institutions pay their employees timely and raise their salary properly, it should help improve their job performance; secondly, the employees acknowledge that risk evaluation and supervision of internal control can positively improve job performance. Thus, it would help to improve the job performance if the financial institutions carefully evaluate the risk of every financial product, examine the processing of various types of transaction, reconcile the accounts, review and supervise the internal control system, such as system operation. Hence, it's possible to improve the job performance of the financial employees through the internal control system. Lastly, this research discovered that both the benefit of guanxi and the individual guanxi can significantly benefit the job performance of financial employees. It seems that maintaining good collaboration with peers can help financial employees to handle their tasks and their mood; vice versa, personal relationship can be seen as a beneficial advantage at work, better job performance can be achieved by leveraging the relationship.

Keywords: internal control, guanxi, job performance

1. Introduction

Surrounded by the speedy flow of knowledge and information, it is hard for an investor to tell the difference between the useful information and deficient information. The information in shapes of truth, noise and fraud would confuse investors and lead them to asset price irrationality. Some products even induce price bubbles and further create financial crisis. Abreu and Brunnermeier (2003) proposed that when investors detect the situation of bubbles, they should increase their holdings actively. In such situation, rational investors usually fuel bubbles. Accompanied with technological changes, asset price bubbles would be caused by overconfidence, and unconsidered investors who often are described as “irrationally exuberant” (Shiller, 2000).

To insure the benefit of investor and the order of financial market, many countries build the system of financial supervision. In 1992, the Committee of Sponsoring Organizations of the Tread way Commission (hereafter COSO) issued Internal Control-Integrated Framework in order to help the corporate to evaluate and strengthen their internal control system. COSO’s original Framework is recognized as the leading guidance for designing, implementing and conducting internal control and gains its effectiveness. Internal control consists of five integrated components, which are control environment, risk assessment, control activities, information and communication and monitoring activities. According to the COSO’s framework, the government in Taiwan issued the Guidelines for Establishment of Internal Control Systems by Public Companies in 1997. In 2003, the Taiwan Government has drawn up the Regulations Governing Establishment of Internal Control Systems by Public Companies. Moreover, Taiwan Financial Supervisory Commission was established in July 2003, its main objective is to administrate financial institutions and maintain financial orders.

After establishing the framework of the financial supervision, the institutions seem to be complied and to expand their business under this framework. Nevertheless, the case such as the Enron scandal showed it was not the truth : the scandal led to the bankruptcy of the Enron Corporation in October 2001. According to the data of Taiwan Financial Supervisory Commission, there were 139 cases of sanction from December 2004 to December 2013. It is worth mentioning that 86 cases are discovered within four years (2010, 2011, 2012, and 2013), approximately 62% of the total cases (see Table 1), and the situation seems even more deteriorated in recent years.

Table 1 The case of Sanction from Dec. 2004 to Dec. 2013

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Frequency	1	6	15	15	7	9	18	21	19	28
Percentage(%)	1	4	11	11	5	6	13	15	14	20

Source: Financial Supervisory Commission and Our research

We analysis the top 10 cases of sanction, and found that the Bank SinoPac had been fined 11th time in the past ten years (see Table 2), approximately one time a year. This situation needs a further discussion and attention.

Table 2 Top 10 of sanction from Dec. 2004 to Dec. 2013

Rank	Bank	Frequency
1	Bank SinoPac	11
2	China Securities Investment Corp., China trust Commercial Bank(CTBC Bank)	8
2	Standard Chartered	8
2	Taishin International Bank	8
5	First Bank	7
6	JihSun Bank	6
7	Land Bank	5
8	E. Sun Bank	4
8	Mega International Commercial Ban	4
8	Taichung Commercial Bank	4

Source: Financial Supervisory Commission and Our research

Why Bank SinoPac kept on being punished in the past few years? For benefit? Or Bank SinoPac did not understand the regulations of financial market. Maybe, Bank SinoPac is too active in developing business so as to be too close to the demarcation line. The interpretation of the laws seems to be different between the Financial Supervisory Commission and the banks. Banks are punished for many reasons, for examples, Hua Nan Bank was punished for the embezzlement and the deficiency of audit and credit in 2007; Jih Sun Bank was punished for the rough process of credit, documents missing, the deficiency of audit and internal control in August 2010. The reasons of sanction can be classified as follows: credit, sales, embezzlement, audit, and internal control. Among these, 85 cases (61%) are punished because of the deficiency of internal control, and 50 cases (40%) are for the deficiency of audit (see Table 3).

Table 3 the reason of sanction from Dec. 2004 to Dec. 2013

Reason	Frequency	Percentage (%)
Credit	15	12.6
Sales	26	19.0
Embezzlement	28	20.0
Audit	56	40.0
Internal Control	85	61.0
Total cases	139	100.0

Source: Financial Supervisory Commission and Our research

The first hypothesis which needs to be examined is : Compared to the banks with effective internal controls, whether the banks which disclose internal control deficiencies (ICDs) exhibit higher systematic risk, higher idiosyncratic risk, and higher cost of equity? Would the investors who authorize to these banks with fund face higher risks?

Ashbaugh-Skaife (2006) found that firms which are more likely to disclose internal control deficiencies while facing more complex operations, changes in organization structure in recent time, auditor resignation in the previous years, more accounting risk exposure, and less investment in internal control systems. The function of the Regulations Governing Establishment of Internal Control Systems is to maintain financial market, and to protect benefit of investors. Therefore, it has reasonable doubt that the aforementioned punished and lacking of "internal control" institutions are excessively pursuit of profit-oriented financial institutions.

Secondly, we need to clarify whether the profit oriented banking causes the disclosures of ICDs in the case of sanction. From the standpoint of financial employees, the status of internal control might be related to the bank work performance. Guanxi play an important role in Chinese society. The staff may simplify the procedure of the business to improve their relationship. These issues need to be further clarified.

Therefore, this study is under the finance practitioner's point of view to observe internal control status of financial institutions, to analyze the relationship between the networks of financial professionals, and to describe their relationship with job performance. Hopefully, through the analysis of this study the relationship between five elements of internal control and job performance will be revealed. As well, it is expected that this study would provide with references and improvement of the financial management for the financial institutions.

It is quite normal to seen the literature which discuss about the relationship between the quality of financial statements and internal control or the relationship between audit and internal control. Based on the theoretical work in prior research, financial reporting quality either is related to the internal control quality, or is concerned with the audit and internal control. The relationship between internal control and financial performance, internal control and business performance are also often mentioned. For examples, the relation between weak internal controls and lower accruals quality; ineffective internal controls which cause both intentional and unintentional misstatements into the financial reporting process and lead to lower quality accruals. In sum, few

papers would focus on the relationship between internal control and the job performance of bank staff.

In this study, the relation between internal control quality, idiosyncratic and systematic risk, and the potential benefits of effective internal control in terms of cost of equity will be investigated. It is my aims to fill the research gap by applying an econometric technique which allows early detection of speculative bubbles. Thus, this study is able to offer insights not only for academics and governments, but also for the decision makers who are engaged to manage internal control.

2. Literature Review

2.1 Internal Control

The American Institute of Accountants (American Institute of Certified Public Accountants, hereinafter referred to as AICPA) defined "internal control" concept and its goals in 1949. Later in 1958, the United States Audit Program Committee (Committee on Auditing Procedure, hereinafter referred to as CAP) released audit procedures Gazette No. 29 (Statement on Auditing Procedure, hereinafter referred to as SAP NO.29), the "internal controls" was transferred into "Internal management Control "and" internal accounting controls "categories. It firstly focus on operational efficiency and internal control policies for banks to follow, then later concentrate on controlling the reliability and security of assets on financial records.

Reviewing the literature in the past, it was obvious that the center of research was the influence of internal control on business performance, such as corporate performance is return on assets (ROA), return on equity (ROE) and earnings reliability measure. Some scholars explored the impact factors of the "Internal Control" (Fang, 2008). Partial studies discussed that "internal control" has a positive significant effect (Lin, 2010) on job performance. Therefore, this study attempts to explore the financial employees for the object, the ways to measure job performance status of the mind so as to see more qualitative job performance.

This study suggests that "internal controls" can increase investor confidence in financial institutions. Investment will increase the likelihood of the transaction with the financial institution, so the job performance of financial employees has a positive impact on the future development. Thus this study is to verify "Internal control" and to discover if it has a significant positive relationship with job performance.

2.2 Guanxi

Guanxi means a special relationship in the Chinese community, Bian (2005) describe a relationship is an unique phenomenon for Chinese. Two independent individuals constitute a similar basis, double-sided, often emotional exchanges bound, highly intimate, long-term emotional attachment with the repeated exchange of resources, thereby promoting the further development of future relations (Yang, 1994).

Yang (1994) explained that the relationship between Chinese can be categorized into three levels : (1)family, close family members as the core components of interpersonal network, (2)familiar people, trusted friends or distant relatives. The "relations" with them is useful and helpful in the network of interpersonal relationship, and (3)strangers which produce generalization "relations" network to help relatives and friends and often contain a large number of people who is easy to replaced.

Relationships within the enterprise will be regarded as Chinese society adhesives, for example (Lovett, 1999): Superior - subordinate relationship (solid social chain) would benefit both sides,

the study found that managers tend to give more benefits to those good personal relationship with his subordinates (Law, Wong, Wang, and Wang, 2000). Most Chinese relations are the main assets of the company (Garten, 1998), in customer management, there are many studies that support the same "relationship" character with Western ideas. The young Chinese management is in fact more keen to pragmatism and openness emphasized in Western management philosophy (Ko, 1998), The "relationship marketing" in modern management philosophy is combined with the relationship and continues to cultivate in order to maintain this network (Wong and Tam, 2000). This will remain the "relationship" with a high degree of penetration, and allow businesses or individuals to obtain critical information. As such, it is worth to maintain a careful management "relationship" for Chinese investment to obtain a most powerful backing. In the internal aspects of the organization, many Chinese business managers by way of relationships with multi internal agreement, are committed to establish an informal network activity and mutual trust, so to maintain good interaction with the members of the organization. Farh, Tsui, Xin and Cheng (1998) also found that the relationship will promote trust between people in a particular organization. A highly interactive between individuals can lead to diverse effects, that is, interactions among employees can also extend the quality of the relationship networks (Standifird, 2006).

In summary, this study suggests that the relationship is a very important Chinese community features, performance and future growth for the company has a positive impact, so this study was to verify the "relations" with the job performance of financial personnel have a significant positive relationship.

2.3 Job Performance

Job performance is the value of a person's work contribution, the quality or quantity of work, and is seemed as employee productivity. According to Meyer (1980) and Anderson's (1984) studies, employees tend to overestimate their own work performance and caused a consequence of over-lenient assessment. Yet, Thornton's (1980) study about small halo effect of self-assessment showed that people often can be aware of their own strengths and weaknesses, and thus can make correct assessments (Leaf, 1995).

3. Method of Research

This study is an empirical study by using closed questionnaires with Likert 7 Comments scale. The sampling subjects were employees from northern, central and southern regions bank. The period of sampling was from February 2013 to August 2013. A total of 450 questionnaires were returned, after deducting invalid questionnaires, a total of 247 questionnaires were analyzed and showed the effective rate of 54.89%. In this study, SPSS17 statistic software was used to analysis questionnaire, statistic methods include descriptive statistics, factor analysis, correlation analysis, regression analysis.

4. Empirical Results

4.1 Characteristics of the respondents

The instrument was administered as a questionnaire survey to 450. Totally, 247 responded to the survey resulting in an overall 54.89% response rate. The participants were primarily female (54.7%). Their ages are ranged from 26 to 45 years of age with 68.9% and 13.8% being above 56 years old. For marital statue, more than half of the respondents (65.6%) are married, and (34.4%)

are single. For the education level, more than half of the respondents (12.1%) are high school or less, while those with a two-year college and university education represented 79.8% and graduated school or more represented 8.1%, respectively. (See Table 4)

Table 4 Characteristics of the respondents

	Items	Frequency	Percentage	Cumulated Percentage
Gender	Male	112	45.3	45.3
	Female	135	54.7	100
Age(Years)	Less than 25	33	13.4	13.4
	26-35	75	30.4	43.7
	36-45	95	38.5	82.2
	46-55	34	13.8	96.0
	Above 56	10	4.0	100.0
Residence	North	14	5.7	5.7
	Middle	86	34.8	40.5
	South	147	59.5	100.0
Education	High School	30	12.1	12.1
	two-year college and university	197	79.8	91.9
	graduate school or more	20	8.1	100.0
Marital status	Single	85	34.4	34.4
	Married and no kid	33	13.4	47.8
	Married and kid	129	52.2	100.0
Wage	Under 20,000	33	13.4	13.4
	20001~40000	101	40.9	54.3
	40001~60000	55	22.3	76.5
	60001~80000	15	6.1	82.6
	Above 80001	43	17.4	100.0
Tenure	<3	53	21.5	21.5
	3~6	45	18.2	39.7
	6~10	37	15.0	54.7
	Above 10	112	45.3	100.0
Industry	Security	37	15.0	15.0
	Banking	125	50.6	65.6
	Insurance	85	34.4	100.0

4.2 Exploratory factor analysis (EFA) and reliability analysis

1. KMO value

First, this study aims to examine the contents of three constructs: "internal control", "relationship" and "job performance". To check if it is suitable for factor analysis, we first calculate the value of each facet of KMO and the results are 0.9, 0.846 and 0.777. KMO values are all greater than 0.7, which means that this data type is suitable for factor analysis. (See Table 5)

Table 5 KMO值

		internal control	Guanxi	Job Performace
Kaiser-Meyer-Olkin		0.900	0.846	0.777
Btarlett's Sphericity Test	Proximate Chi-square distribution	2038.862	866.906	326.499
	df	190	36	6
	Sig.	.000	.000	.000

2. Explained variance and Cronbach's α value

Secondly, the adoption of maximum variance (Varimax) orthogonal axes, whichever is greater than the dimensions of a characteristic value. Mining Hair, Black, Babin, Anderson and Tatham (2006) suggested that deleting the Q key commonality with items below 0.5 to have Paul questionnaire reliability and validity. Nunnally (1978) pointed out, α coefficient less than 0.35 shows a low reliability, and should be refused to use. Acceptable figure is between 0.5 to 0.75. Higher than 0.7 is regarded as high reliability.

Principal component analysis based on factor analysis has extracted facets as follows: internal control has five dimensions, relations have two dimensions and job performance has a dimension, the cumulative amount of explained variance are respectively 65.366%, 63.409% and 63.786%, while its Cronbach's α values were 0.907, 0.824 and 0.809. α value of this study are all above 0.7, they are quite appropriate and representative. (See Table 6)

Table 6 the collective table of the exploring factor analysis of the each dimension variability

Constructs / Measurement Items		Eigenvalues	Accumulation explanation variability (%)
internal control	Risk assessment	36.321	36.321
	Control Activities	9.999	46.320
	Monitoring	6.577	52.897
	Information and Communication	5.272	58.169
	Control Environment	5.122	63.291
	Total explanation variability =65.366 ; Cronbach's α =0.907		
Guanxi	Guanxi benefits	42.476	42.476
	Guanxi	20.933	63.409
	Total explanation variability =63.409 ; Cronbach's α =0.824		
Job Performace	Job performance	2.551	63.786
	Total explanation variability =63.786 ; Cronbach's α =0.809		

3. Factor Loadings

Regarding "internal control" questions loading, there are two factors in addition to supervise loading the questions of less than 0.6, the remaining question items were greater than 0.6 which shows good condition. (See Table 7) As factors loading the questions of "relations", only two

questions is less than 0.7, the others are rendered adaptation. As for questions of factor loading of job performance were higher than 0.7. (See Table 8)

Table 7 the statistical table of the internal control factor loading

	Items	Factor Loadings
Risk estimation	Internal control 31Company carefully assesses the risk of each commodity. °	.774
	Internal control 35Company will regularly make the disclosure of financial information.	.743
	Internal control 33Company fully commands the failures of internal information system and emergency response measures.	.654
	Internal control 34Company has established accounting operating mechanisms.	.645
	Internal control 32Company will assess the situation of staffs' quality and professional ethics.	.627
Activity control	Internal control 48The important assets (such as cash and checks) of company are safekeeping.	.801
	Internal control 47The assets loan of company must be approved by managers.	.714
	Internal control 49The company will check the integrity of transaction data.	.662
	Internal control 51The internal control procedure of company possesses secure encryption system.	.632
Supervision	Internal control 54Company auditing sector will be supervised by the board of directors.	.769
	Internal control 52Company will irregularly check each transaction procedure and the account amounts.	.660
	Internal control 53Company emphasizes the expertise, communication skills, experiences, and qualification of auditors.	.634
	Internal control 56Company' s internal auditing report can be clearly expressed and provided specific recommendations to improve operational efficiency.	.568
	Internal control 57Company' s computer system provides many data analysis tools which can assist managers to review and oversee the operation of system.	.529
Information and communication	Internal control 45Employees will often visit or communicate with their customers to exchange opinions.	.820
	Internal control 46Company has set up the incentive system to encourage their employees.	.754
	Internal control 44The different sectors of company often keep in touch with each other and exchange opinions.	.633
Environment control	Internal control 40Company is guided by the accounting principles of conservatism.	.649
	Internal control 39Company managers are required to have financial knowledge, experiences, and abilities.	.640
	Internal control 41Company believes that independence of auditors is very important.	.640

Table 8 the statistical table of Guanxi and Job performance control factor loading

	Items	Factor Loadings
Guanxi benefits	Guanxi 20 I can get much official confidential information through guanxi.	.837
	Guanxi 21 I have poor performance owing to poor quanxi.	.828
	Guanxi 19 I often exert guanxi to achieve good performance.	.813
	Guanxi 22 Guanxi is the most useful tool at work.	.741
	Guanxi 23 I used to spend a lot of efforts(such as personal knowledge, financial assistance, or using personal networks) helping my colleagues out of difficulty.	.688
Guanxi	Guanxi 28 Maintaining a good guanxi with my colleagues makes me more confident at work.	.830
	Guanxi 27 I have a good guanxi with my colleagues making me more confident in working.	.807
	Guanxi 26 Maintaining a good guanxi with colleagues would be smoother at work.	.782
	Guanxi 29 It takes a long period to cultivate guanxi.	.672
Job performance	Job performance 70 I keep on learning with energy.	.853
	Job performance 69 I can exactly understand the latest knowledge at work.	.821
	Job performance 67 I will take the initiative to collect information required for work or job skills	.787
	Job performance 65 I am always thinking of new ways to solve difficulties at work.	.729

4.3 Correlation Analysis

For realizing the relationship between the Internal Control, guanxi and job performance, Pearson correlation analysis was used to investigate whether there is a significant correlation between the variables to each other. When the internal control of the financial service personnel become more positive, it will affect their job performance. If the company can't construct staff's internal control concept in training, the employees' job performance can't be expected. (See Table 9) Secondly, the face of each constitutive relationship between job performance reached a significant positive effect, which means that more financial staff with appropriate and positive relationship, including good personal relationship, a positive relationship between the benefits, will be conducive to improve their work performance.

Table 9 Corelative analysis of Pearson Correlation Matrix of “Internal control” and “Job Performance”

	Risk Assessment	Control Environment	Monitoring	Information and Communication	Control Activities	Job Performance
Risk Assessment	1	.449**	.608**	.564**	.555**	.547**
Control Environment	.449**	1	.643**	.468**	.417**	.461**
Monitoring	.608**	.643**	1	.610**	.494**	.678**
Information and Communication	.564**	.468**	.610**	1	.492**	.458**
Control Activities	.555**	.417**	.494**	.492**	1	.342**
Job Performance	.547**	.461**	.678**	.458**	.342**	1

**p<.01.

Table 10 Corelative analysis of “Guanxi” and “Job Performance”

	Guanxi benefits	Guanxi	Job Performance
Guanxi benefits	1	.318**	.396**
Guanxi	.318**	1	.439**
Job Performance	.396**	.439**	1

**p<.01.

4.4 Regression analysis

The hierarchical regression refers to a simple OLS regression in which predictors are entered in some order (presumably based on theory or literatures) and then increments in explained variance and changes in regression coefficients are evaluated. We use the hierarchical regression analysis to verify the linear causal relationship between the characteristics of the respondents, internal control, and guanxi. From Table 11, the sign is reasonable for each independent variable regression coefficients, the coefficient of independent variables T test and regression of F test reached significant levels.

Table 11 The result of Hierarchical Regression

dependent variable					
Independent variable		Model 1	Model 2	Model 3	Model 4
		β	β	β	β
Characteristics of the respondents	Gender	-.101	-.087	-.097	-.092**
	Age(Years)	-.220***	-.073	-.073	-.052
	Residence	.047	.063	-.010	.030
	Education	.073	.059	.089	.055
	Marital status	.158	.043	.039	.038
	Wage	.346***	.104**	.132**	.117**
	Tenure	.156	.003	.012	.010
	Industry	-.028	.045	.016	.054
Internal Control	Risk assessment		.202***		.149**
	Control Activities		.046		.021
	Monitoring		.536***		.499***
	Information and Communication		-.004		-.006
	Control Environment		-.069		-.087
Guanxi	Guanxi Benefits			.230***	.036
	Individual Guanxi			.360***	.151**
R ²		0.092	0.503	0.515	0.523
F Value		14.55***	80.64***	31.55***	52.92**
DW		1.847	1.976	2.018	2.065

*p<0.05, ** p<0.01, *** p<0.001

From the viewpoint of the internal controls, we established the four regression models to analyze the effect on financial personnel's job performance and we found that F-value of the four models reached the significant level, indicating that all the four models had significant explanatory power.

In model 1, we regard "Characteristics of the respondents" as the control variables, and F-value of the model is 14.55, which reached the significant level ($p < 0.001$). Among of them, "Age" and "Wage" were significant, which meant "Age" and "Wage" had obviously impact on financial personnel's job performance.

In addition to "Characteristics of the respondents", we added "internal control" and adopted stepwise regression analysis. We found that R^2 in Model 2 was 0.503 which was higher than Model 1, and the F-value was 80.64 that showed significant sate. In which, "Wage", "Risk assessment" and "Monitoring" had obviously impact on financial personnel's job performance.

In Model 3, apart from "Characteristics of the respondents", we added "Guanxi" as independence variable. R^2 in Model3 was 0.515 and F-value was 31.55 that had reached the significant level. The variables in Model3 were "Guanxi benefits", "Guanxi" and "Wage". They had significant impact on "Job performance" which reached the significant level ($p < 0.001$).

In Model 4, we put "Characteristics of the respondents", "internal control" and "Guanxi" in regression model. We found that "Gender", "Wage", "Monitoring", "Risk assessment" and "Characteristics of the respondents" had significant impact on "Job performance". It was worth to mention that "Gender" also could be the obviously impact factor of financial personnel's job performance, and it was an interesting phenomenon.

5. Conclusions

In order to protect the interests of investors and to prevent financial abuses, the government set the relevant financial institution management system. Though financial institutions are in accordance with the related government regulations to design and implement their relevant business, they still suffer with the correct FSC cut penalty. For further clarifying related problems, this study angles at financial officer for their cognitive analysis of internal control and job performance and the relationship between them, especial from an overview of the company's current financial officers who are charging internal controls; and secondly, this study aims to analyze the relationship between Chinese relationship and the work of performance.

We found that after the empirical research on basic personal information, the monthly income level has a significant impact on the financial staff job performance, and shows a positive relationship. It means that, if the financial institution designed a set of incentive effect of pay system, the financial professionals can pay timely and appropriate, and thus will enhance their job performance favorably.

Secondly, financial officers agree that "risk assessment" and "oversight" of the internal control have a significant positive impact on job performance. Therefore, if financial institutions carefully assess the financial products, grasp the internal information system contingency measures to develop appropriate accounting and financial accounting system, the importance of regular check processing methods and account balance transactions checking by the expertise of auditors will reveal. Finally, providing data analysis tools to assist the review of internal control mechanisms and monitoring system works can be able to improve work performance of financial personnel.

Reference

- Anderson, F. A. Jr (1984). *Ann. Biomed.Eng.* 12, 79-102.
- Barberis, Shleifer, and Vishny, (1998). A model of investor sentiment. *Journal of Financial Economics*, 49, 307-343.
- Barnathan J. Et.al (1996). *Rethinking China. Business Week*, 4 March, 13-20
- Bian, Y. (2005) .Guanxi.In J. Beckert, & M. Zafirovski (Eds.) , *International encyclopedia of economic sociology* (pp. 312-314) . New York : Routledge.
- Braendle, U. C., Gasser, T., and Noll, J. (2005). *Corporate governance in China- Is economic growth potential hindered by Guanxi Business and Society Review*, 110(4), 389-405.
- Chen and Francesco (2000). Employee demography, organization commitment, and turnover intentions in China. *Journal of Applied Psychology*, 37(4), 300-315.
- Chan, Hameed, and Tong.(2000). Profitability of momentum strategies in the international equity markets. *Journal of Financial and Quantitative Analysis*, 35, 153-172.
- Cheng, Hsieh and Ouyang (2010). The Study of the Guanxi Transferring Process from Individual to the Organization by Genetic Algorithm. *Global Journal of Business Research(GJBF)*, 4(1), 85-95.
- Daniel, Hirshleifer, and Subrahmanyam (1998). Investor psychology and security market under- and overreactions. *Journal of Finance*, 53, 1839-1885.
- Davies, H., Leung, T., Luk, S., and Wong, Y. H. (1995). The benefits of Guanxi: *The value of relationships in developing the Chinese market. Industrial Marketing Management*, 24, 207-214.
- De Bondt and Thaler (1985). Does the stock market overreact? *The Journal of Finance*, 40(3), 793-805
- Dunfee T., Warren D. E. (2001). Is Guanxi Ethical? A Normative Analysis of Doing Business in China. *Journal of Business Ethics*, 32(3), 191-204
- Fang, Zhi-Hong (2008). A study of the relationship between internal control deficiency and financial performance by taking taiwanese business banks as an example. *National Taipei University, Taipei*.
- Farh, J. L., Tsui, A. S., Xin, K. R., & Cheng, B. S. (1998) . The influence of relational demography and Guanxi : The Chinese case. *Organization Science*, 9, 471-488.
- Fei, Xiao-Tong (1948). *Native China. Hung-Kong: Feng-Huang Publishing House*.
- Garten, J. E. (1998). Opening the Doors for business in China. *Harvard Business Review*, 76, 167-175.
- Hwang, Kwang-kuo, (1987). Face and Favor: The Chinese Power Game. *American Journal of Sociology*, 92, 944-74.
- Ko, E. (1998). Lessons in leadership. *Asian Business*, 34, 53-56.
- Law, K. S., Wong, C. S., Wang, D. and Wang, L. (2000). Effects of Supervisor- Subordinate Guanxi on Supervisory Decisions in China: An Empirical Investigation. *International Journal of Human Resource of Management*, 11, 751-765.
- Lovett, S., L.C. Simmons, and R. Kali, (1999). Guanxi Versus the Market: Ethics and Efficiency. *Journal of International Business Studies*, 30(2), 231-48.
- Lin, Hui-Ting (2010). The influence on corporation financial performance by internal control deficiency. *National Chengchi University, Taipei*.
- Meyer, B. J. F., Brandt, D. H. and Bluth, G. J. (1980). Use of top-level structure in text: Key or reading comprehension of ninth-grade students. *Reading Research Quarterly*, 16, 72-103.

- Standifird, S. S. (2006) . Using Guanxi to establish corporate reputation in China, *Corporate Reputation Review*, 9 (3) , 171-178.
- Thornton, M. S. (1980). Psychometric properties of self-appraisals of job performance. *Personnel Psychology*, 133, 262-271.
- Wong, Y. and Tam, J. (2000). Mapping relationships in China: guanxi dynamic approach. *Journal of Business and Industrial Marketing*, 15, 57-71.
- Xie, Qi-Rong, Xu, Shou-De, Zheng, Jun-Hao (2008). A study of transform from personal relationship to organization in Mainland China. *Chinese Economic Research*, 6 (2) , 69-80.
- Yang, M. (1994). *Gifts, favors and banquets: The art of social relationships in China*. New York: Cornell University Press.
- Ye, Jiao-Jiao (1995). *Job psychology*. Wu-Nan Publishing Corporation.
- Yang, Zhong-Fang (2001). Chinese interpersonal relationship feeling and trust. *Taipei: Yuan-Liu Publishing Corporation*.
- Yang, Gou-Shu (1993). Why we need to construct Chinese native psychology. *Native Psychology Research*, 1, 6-88.
- Zhang, Y., and Zhang, Z. (2006). Guanxi and organizational dynamics in China: a link between individual and organizational levels. *Journal of Business Ethics*, 67, 375-392.
- Zheng, Jun-Hao, Xie, Qi-Rong (2010). A study of influence factors on personal relationship network of Taiwanese hotel employees. *Yearly Bulletin of Chinese Culture Research Center (Japanese West City International University)*, 6, 45-59.