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Internal Control Mechanisms in Accounting, Management, and Economy: A review of the Literature and Suggestions of New Investigations

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ABSTRACT
We provide a review of accounting, management, and financial research on internal control mechanisms (ICM). In the context of this research, our review, we stress on particularly perplexing and important issues and topics, which are the homogeneity in the relationships between internal control mechanisms and other issues of interest to both accounting, management and finance, as well as to scholars and academics, and to suggest new relationships that are necessary to deal with. We also stress the importance of how internal control mechanisms are measured, in particular. As there is a necessity and an urgent need to understand the various aspects of the internal control mechanisms. Several theories are required, for instance, to demonstrate whether different Internal control mechanisms (ICM) are complements or replace for each. whereas a multidisciplinary is important to developing better theories which is a matter that always exists with several difficulties, but it might enrich the present literature and knowledge in Internal control mechanisms (ICM). in spite of the vast of the existing Internal control mechanisms (ICM) literature, such matters issues do suggest a few of avenues for future studies will done by researchers .
KEYWORDS*: Internal Control mechanisms, company performance, Suggestions, New Investigations*

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I. INTRODUCTION

On any standard, the Internal control mechanisms (ICM) literature is vary. A level of fields have contributed to the Internal control mechanisms Internal control mechanisms (ICM) literature, and several studies have discussed the linkages between Internal control mechanisms Internal control mechanisms (ICM) and profitability with arguments that have addressed by researchers and scholars in management, accounting, and economy . I seize it to some studies in governance field in accounting and management and do not detail into other subjects like Internal control mechanisms (ICM) and law, or Internal control mechanisms (ICM) and the development of product , management ,marketing, and corporations matters.

II. SCOPE OF INTERNAL CONTROL MECHANISMS

Internal control mechanisms (ICM) are the broad terminology that explains the processes, laws and organizations that used to control the operations.It aims at achieving the targets of the company and master the link between the shareholders and other stakeholders.It also focuses on responsibility of the people via a mechanism that used to alleviate the problems between principal and agent in the company.Internal control mechanisms (ICM) is a main criterion for creating a good investment environment that is necessary by competitive firms to get robust position in the financial markets. Great Internal control mechanisms (ICM) is essential to the economies and also important to reach success for companies. In the last three decades the studies in accounting and finance are mainly concentrate on the area of Internal control mechanisms (ICM). The ownership's separation from the control is the most essential matter of the agency theory concepts regarding the problems facing by the companies (Jensen &Meckling 1976). These issues drive to several matters regarding to overseeing and controlling for the assets of companies in the purpose of stakeholders interest of all companies. A considerable studies have been investigated in thearea of Internal control mechanisms (ICM) in light of agency theory and its problems. Such problems gives directors to extract further benefits and the companies eventually perform badly. companies thus, needed toimprove Internal control mechanisms (ICM) to stay survival. A good Internal control mechanisms (ICM) might exist in the companies via consider a balance between control and ownership and furthermore between the stakeholders' interests. This can be useful in improving the positive behavior among directors in the companies and the stockholders to avoid agency problems that might exist in the companies. This research offers view of Internal control mechanisms (ICM) from different viewpoint and tries to connect it with firm profitability that required. The mechanism of the internal control of effective control mechanisms will help to limit the variation between control and ownership via offering the review from various perspectives and tries to find solution for reducing agency problems in the companies via dealing with previous studies in such area.

III. LITERATURE REVIEW OF INTERNAL CONTROL MECHANISMS

The COVID-19 pandemic that appeared in 2019 has led to international problems in health and social situation that is related to the bad indicators regarding health issues in the majorities of countries in the world as mentioned by Alabdullah et. al (2020). Therefore, recently , the countries have been taken in their consideration on recovering the economic status for the countries. For instance, Asian crisis and deadlock in big companies around the world such as Enron in USA, many studies in the literature have focused on such an issue (Alabdullah et al, 2014a, 2014b; Alfadhl&Alabdullah, 2013; Alabdullah et al, 2018; Ahmed et al., 2016; Alabdullah, 2018; Alfadhl&Alabdullah, 2016; Ahmed et al., 2018; Alabdullah et al, 2019; Alabdullah et al, 2018; Ahmed, 2014; Alabdullah et al., 2014; Alabdullah, 2016a, 2016b, 2016c, 2016d; Ahmed et al., 2014; ; Ahmed et al., 2021; Alabdullah et al, 2018; Ahmed et al., 2019; Alabdullah et al, 2020; Abushammala et al, 2015; Ahmed et al., 2014; Alabdullah, 2017; Ahmed et al., 2020; Ahmed et al., 2017; Alabdullah& Ahmed, 2020; Ahmed et al., 2019; Alabdullah, 2016a; Alabdullah& Ahmed, 2019; Ahmed et al., 2018; Alabdullah et al, 2016; Ahmed et al., 2020; Alabdullah et al, 2019; Alabdullah et al, 2020; Alabdullah& Ahmed, 2018; Alabdullah, 2019; Ahmed et al., 2020; Ahmed et al., 2020; Alabdullah, 2021a, 2021b; Alabdullah et al, 2021; Nor et al., 2020; Ahmed et al., 2021; Essia, 2014). Several studies reveal nonappearance in testing several elements of Internal Control mechanisms (ICM) that might effect on the companies' performance. The literature focus on good Internal control mechanisms (ICM) in developing countries (Falih et al, 2021). Other studies also confirmed such significance (e.g., Almashhadani, 2020; Almashhadani, 2021 Alabdullah et al., 2021).

IV. A REVIEW FROM LITERATURE OF INTERNAL CONTROL MECHANISMS AND COMPANY PROFITABILITY

Some previous studies believe that there is an integration between agency theory and internal control mechanisms and they offered broader point view in this regard (Alabdullah et al., 2016). The main interest in their studies explained more about the conflict of interest between the managers and shareholders. They admit that the agency cost appears because of this link between these two parties. As it known that agency theory reflects the conflict arises after the contract done and the obligation of the managers to ran a company in behalf of the shareholder. The problem of agency and its costs arises because of the different interests that create a conflict between ownership and control as the main delegate in making decisions in the company on behalf of the owners and shareholders as the agent who manages the company on behalf of the shareholders. Several studies in the literature review dealt with several important internal control mechanisms (ICM). They confirm that board of directors size is a core element and important issue that has different impact level on company success and enhancement its profitability (Pfeffer, 1972). It is one of the most important tools and mechanisms of Internal control mechanisms (ICM) that control the company's activities and clearly reduces agency problems (Lawal, 2012; Rashid, De Zoysa, Lodh, &Rudkin, 2010; Samuel, 2013; Shleifer&Vishny, 1997; Yermack, 1996). Previous studies explianed that the existence of independent managers in the board has most of time a positive impact in reducing agency problems. many studies tested the link between this core variable and Internal control mechanisms (ICM). Several works in the literature revealed that the nonexecutives offers some important monitoring that leads to promoting company performance (see Kumar & Singh, 2013; Tornyeva&Wereko, 2012; Zheka, 2006; Yermack, 1996; Alabdullah et al., 2018; Andres and Vallelado, 2008. For instance, Yermack (1996) reveal that there is a negative impact of the independent managers on company profitability. On the other hand, Andres and Vallelado (2008) find that such relation between these two variables has inverted U-shaped.

As explained by Jensen and Meckling (1976) that in case the managers in the board of directors have a more stock share in the organization, it makes such managers work very hard and this will lead to reduce agency problems and its costs that probably appear between directors and shareholders . many works advocate Jensen and Meckling's findings (see Alabdullah& Ahmed, 2019; Ahmed et al., 2020; Alabdullah et al, 2019; Alabdullah, 2019; Ahmed et al., 2020; Ahmed et al., 2020; Alabdullah, 2021a, 2021b; Alabdullah et al, 2021). However, other works have another opinion which is not in line with the findings of with Jensen and Meckling (e,g., Demsetz&Villalonga, 2001) . They believe that more stock of share for the directors in the firm might make these directors have an unsuitable attitude that will have negative impact on the stockholders' interests and company performance. Another mechanism of the internal control mechanisms is duality. It might contribute to reduce the transparency deficiency and accountability within the firm. The CEO-Chairman duality has very poor evidence regarding to its impact on profitability of the company. Yet, when the control and direction are belong to one person, it probably lead the bad making of decisions which leads to a negative impact the interest of the shareholders. Therefore, duality has a unfavorable impact on company performance (Alabdullah et al., 2014). A study done by Chow-Chua, Goh, & Wan (2003) they classified the company financial performance and they used only financial indicators for measuring company performance as profit margin on sales, which is computed as net income divided by sales; return on total assets (ROA), which is measured as net income divided by the total assets; return on common equity (ROE), which is measured as net income divided by common equity; also the debt to equity ratio, which is measured as total debt divided by common equity; and finally earning per share that is measured as net income divided outstanding shares.

V. CONCLUSION AND SUGGESTIONS FOR THE FUTURE STUDIES

In the present paper we reviewed studies done by some researchers on Internal control mechanisms . The objective of this review to shed light on the effectiveness of Internal control mechanisms and its impact in managing the companies' operations via utilizing some important mechanisms such as board size, independence of the managers, and the duality. The matter of control and ownership owner-managers conflict and its impact on Internal control mechanisms is the core subject of the study in this paper. The results of the majority of the previous studies focus on the effective Internal control mechanisms in reducing the problems between the owners and the directors . Thus, based on the discussion above in some of the papers and researchers in this review paper, a general view of owner-managers troubles for the academic and researchers in the field of internal control mechanisms. it is notable that the majority of the previous studies focus on just financial measurements while a very little study focus on the non _financial measurements to measure company profitability. Therefore, the suggestions for the future researchers is to test and investigate the nonfinancial measurement to measure company performance because the majority of the previous studies focus on measuring company performance via using return on assets and return of equity, which are represent a financial measurement for performance.

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