



Demographic Factors Influence on Internal Control Using COSO Components

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ABSTRACT

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This study analyzed the influence of demographic factors on employees' perceptions of internal control effectiveness in selected commercial banks in Metro Manila. Anchored on the COSO Internal Control–Integrated Framework (2013), the research focused on five components: control environment, risk assessment, control activities, information and communication, and monitoring. A quantitative descriptive design was employed, utilizing a structured survey instrument administered to employees across organizational levels. Statistical

tools, such as group comparison tests and ordinal logistic regression, were used to analyze the data. Findings revealed that civil status and length of service were significant predictors of how employees evaluate internal controls, with married and longer-tenured employees tending to be more critical. Age and job position also showed differences in perceptions, while sex and educational attainment did not yield significant predictive effects. The results highlight that demographic diversity shapes perceptions of governance and compliance, though



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organizational culture and system design may exert greater overall influence. The study concludes that tailoring governance initiatives to demographic profiles can enhance internal control effectiveness. Recommendations include strengthening governance structures, refining Bangko Sentral ng Pilipinas [BSP] regulatory support, and expanding future research to rural, cooperative, and digital banks. By addressing this research gap, the study contributes to both academic literature and practical banking governance, while aligning with the United Nations Sustainable Development Goals (SDG 8, SDG 16, and SDG 5).

INTRODUCTION

The Philippine banking industry plays a vital role in sustaining national economic growth by safeguarding financial stability, fueling development, and maintaining public confidence. In today's fast-changing regulatory and technological environment, strong internal control systems have become indispensable. Globally, financial institutions are re-examining governance structures, with the World Bank Group (2024) emphasizing that well-designed internal controls act as strategic levers for risk management and sustainability. The COSO Internal Control–Integrated Framework (2013) remains the benchmark, outlining five interconnected components—control environment, risk assessment, control activities, information and communication, and monitoring—that collectively uphold organizational integrity. These principles resonate with the United Nations Sustainable Development Goals, particularly SDG 8 (Decent Work and Economic Growth) and SDG 16 (Peace, Justice, and Strong Institutions).

Prior studies identified weaknesses in audit and risk management practices despite regulatory directives such as BSP Circular No. 871 (2015), suggesting uneven adoption across institutions (Borigas, 2024). International research has further shown that demographic characteristics—including age, tenure, and job position—shape employees' views of internal controls (Otoo et al., 2023). This study addresses the gap by situating COSO within Philippine commercial banks and examining demographic influences on internal control perceptions, while explicitly recognizing ethical compliance protocols in data collection.

LITERATURE REVIEW

Internal control systems are indispensable in ensuring accountability, transparency, and compliance in commercial banks. Anchored in the COSO Internal Control–Integrated Framework (2013), these systems encompass five

interrelated components. Chen et al. (2023) emphasized that COSO-based internal control remains central to enterprise risk management, particularly in adapting to digital transformation. Tu et al. (2020) demonstrated that COSO components significantly influence organizational effectiveness in manufacturing firms, highlighting the framework's cross-sectoral relevance.

In banking, Deloitte (2025) underscored the importance of “smart internal controls” for resilience in digitized environments, while McKinsey et al. (2016) linked precision in governance to future success. Locally, Sarrondo et al. (2025) validated COSO's role in operational efficiency in Metro Manila service centers, and César et al. (2021) highlighted demographic influences on compliance culture among bank employees. Otoo et al. (2023) confirmed that demographic diversity significantly shapes perceptions of internal control systems in banking institutions. Ng and Feldman (2010) further argued that tenure influences trust in organizational systems, while Fink et al. (2023) noted that age and gender may affect ethical orientation and risk sensitivity.

To strengthen regional relevance, recent ASEAN studies (e.g., Borigas, 2024) have shown that cooperative banks in the Philippines face governance challenges tied to demographic diversity, reinforcing the need for demographic-sensitive compliance strategies. These findings situate the present study within both local and regional contexts, bridging Philippine banking practices with global governance standards.

Collectively, these studies confirm COSO's relevance while identifying demographic diversity as a critical factor in shaping compliance culture.

METHODOLOGY

This study employed a quantitative descriptive design. Respondents included rank-and-file employees, supervisors, managers, and executives from four anonymized Metro Manila banks. Data were gathered using a structured questionnaire anchored on COSO's five components. Statistical tools such as regression analysis and group comparison tests were used to examine the relationship between demographic variables and employees' perceptions of internal control effectiveness. Respondents were selected through purposive sampling to ensure representation across organizational levels. Ethical clearance was secured in compliance with institutional protocols.

RESULTS AND DISCUSSION

Findings revealed that civil status and length of service were significant predictors of how employees evaluate internal controls, with married and longer-tenured employees tending to be more critical. Age and job position also showed differences in perceptions, while sex and educational attainment did not yield significant predictive effects. These results highlight that demographic diversity shapes perceptions of governance and compliance, though organizational culture and system design may exert greater overall influence.

Policy implications are clear: BSP Circular No. 871 (2015) mandates internal control adoption, but its effectiveness depends on employee perceptions. Tailored training and communication strategies are essential to ensure compliance across demographic groups. Basel III operational risk principles emphasize risk sensitivity, and integrating demographic insights into governance structures strengthens resilience. The study also aligns with UNSDGs by promoting decent work (SDG 8), strong institutions (SDG 16), and gender equality (SDG 5).

Limitations include reliance on self-reported data, which may introduce response bias, and the focus on four Metro Manila banks, limiting generalizability. Future studies should expand to rural and digital banks.

CONCLUSION

This study demonstrates that demographic diversity—particularly civil status and tenure—significantly influences how employees perceive internal control systems in Philippine commercial banks. While organizational culture and system design remain dominant factors, demographic profiles provide critical insights for tailoring governance and compliance initiatives. The study contributes academically by validating COSO in the Philippine banking context, provides policy relevance by offering evidence-based recommendations for BSP regulators and bank executives, and advances global development goals by linking findings to UNSDGs.

By tailoring governance initiatives to demographic diversity, banks advance SDG 8 (Decent Work), SDG 16 (Strong Institutions), and SDG 5 (Gender Equality), reinforcing both national and global development goals.

RECOMMENDATIONS

Banks should integrate demographic insights into compliance audits, develop tenure-sensitive training modules, and enhance communication

strategies to foster inclusive governance. Regulators should refine BSP policies to ensure demographic-sensitive implementation of internal controls. Future research should extend demographic analysis to rural, cooperative, and digital banks, where workforce diversity may present unique governance challenges.

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