



INSTITUTIONAL FACTORS BEHIND FINANCIAL FRAUDS IN THE CORPORATE SECTOR: A CASE STUDY OF SRI LANKA.

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This research concerns institutional factors causing financial fraud in the corporate sector. At the end of the 1970's Sri Lanka introduced Neo-Liberal economic policies undermining state controlled economic policies and this opened new development avenues for the active involvement of private sector enterprises. In national and international economic affairs with all the positive development brought about by these particular changes, there seems to have been criminal phenomena occurring and profiting from the opportunities made available by the socio-economic changes. One important aspect of this criminal impact is crimes against the corporate sector in the country. Newspapers reports and complaints made to the police indicate evidence of a developing phenomenon of crimes against corporations which have not been so far addressed from a criminological perspective. Accordingly, the central problem of this research study is to identify the causes and consequences behind financial fraud against the corporate sector. For the purpose of data collection, 66 criminal cases were selected from the Fraud Investigation Bureau in Sri Lanka. Structured questionnaires and interviews were used as the key method of data collection. The research results flag that Forgery, Criminal Breach of trust, Misappropriation and Cheating were the main criminal offences recorded in the corporate sector.

Financial frauds against the corporate sector have been perpetrated by both internal employees and external parties. The majority of institutions have become victims due to their trust in customers. Lack of internal control including an insufficient monitoring system, inadequate segregation of duties, and irregular audit supervision were the other reasons for frauds to occur. Irregular audit supervision must be updated according to the institutional framework. Employee monitoring and supervision should be established and carried out consistently within organizations.

Keywords: Financial Crimes, Corporate Sector, Institutional Factor, Cheating, Sri Lanka.

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