

Examining the Internal Controls and Financial Performance of Selected Savings and Credit Co-operative Societies in Moyo District, Uganda

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ABSTRACT

This research study examined the effect of internal controls on financial performance Savings and Credit Co-operative Societies (SACCOs) in Moyo district of Uganda. Utilizing both qualitative and quantitative methodologies, a descriptive cross-sectional research design was employed. The population consists of 56 participants. Data was collected with surveys and interviews. The study's findings demonstrated that the control environment in the chosen SACCOs in Moyo district had a beneficial impact on financial performance. This is corroborated by the favourable internal control ratings and the highly satisfying view of the accounting and financial system of the chosen SACCOs. And well-constructed control environment has the potential to strengthen the entire governance and administration of SACCOs, resulting in enhanced financial performance. Based on these findings, the study calls for SACCOs to prioritize ethical values in their organizational culture. This includes promoting honesty, integrity, and accountability among staff and management. Ensure that the board of directors maintain their independence from management. This can be achieved by implementing governance structures that prevent conflicts of interest. Continuously adhere to audit standards and best practices to maintain high-quality financial reporting and internal controls. It is equally recommended that SACCOs should conduct periodic internal reviews of control activities to identify weaknesses and areas for improvement. It is recommended that management be tasked with the responsibility of promptly reviewing audit reports and resolving any non-compliance issues identified within them.

Keywords: Stewardship, Internal controls, Savings, Cooperative societies, Financial performance.

INTRODUCTION

The major goal of Savings and Credit Cooperatives (SACCOs) is to promote savings among its members by making credit accessible and affordable[1]. This is because some of the populations in developing countries are usually excluded from formal financial institutions due to the lack of collateral, fraud, and low rate of loan recovery[2]. To bridge this financing vacuum, SACCOs provide access to financial facilities for the downtrodden[3]. Through the provision of credit by SACCOs, individuals without access to a formal banking system become successful entrepreneurs. Research has proven that SACCOs sustainable financial performance is because they foster social-economic welfare for the poor[4]. Other studies have shown that international control is one of the indicators that fosters the financial performance of SACCOs in Uganda[5]. Agyemang[6] opined that firm's capacity to

prevent fraud, errors, and waste is a critical function of its internal controls. Integrating controls into the firm's architecture ensures that they are effective since they become an integral part of the operations. To support the attainment of the shareholders' wealth maximization objectives, Benon et al.[7] stressed that management of any financial institution must implement certain procedures including job segregation, accounting controls, and hiring qualified personnel. Concerning the issue, SACCOs in Uganda have been plagued by insufficient internal management capability and operational controls. The lack of effective control systems in SACCOs has led to significant financial losses caused by fraudulent activities and the misuse of assets meant for generating revenue. As a result, both individuals and organizations have suffered substantial financial setbacks[5]. The

inadequacies that surround internal controls have led to corruption and collusion of executives and external auditors leading to organisations failure to achieve their set objectives. This necessitated

the present study that examines the internal controls and financial performance of selected savings and credit co-operative societies in Moyo district of Uganda.

Literature review

Internal Control

A closely related entity called an internal control system enables efficient monitoring, which helps a company accomplish its objectives in the best interests of its shareholders[8]. It is not merely an occurrence or a situation; rather, it is a sequence of activities that take place during an entity's operation. It works best when it is integrated into the organizational structure and is a fundamental component of the organization. The indices of internal controls are risk assessment, control activities, monitoring, control environment, and ICT[9]. Furthermore, it is asserted that strong

internal controls are essential to an organization's expansion and success, suggesting that strong internal controls have a significant positive impact on an organization's or company's financial performance. The study's internal control system was evaluated using the following criteria: the control environment, personnel dedication and competency, integrity values, ethical values, and so on. There were indications for the risk assessment variable, including risk definition, risk assessment, and risk mitigation.

Control Environment and Financial Performance

The term "control environment" in this study encompasses integrity, ethical ideals, accountability, human resource procedures, audit committees, and internal audit[10]. Mbulo et al.[11] defined the control environment parameters as the existence of strict budgetary constraints, a well-functioning audit function, and the inclusion of audit committee members. The board of directors establishes the foundation for the control environment through the formulation of policies, the promotion of good governance, and the adherence to moral standards[12]. According to Iwata and Okada[13] argument, the control environment can affect the financial performance of any organisation either negatively or positively. Manrique and Marti-Ballester[14] stated that the

control environment consists of personnel who must possess integrity and ethics, and are responsible for establishing, executing, and supervising controls and competences of directors and employees. Goh[15] emphasized that having an audit committee with expertise in financial control can assist a corporation in reducing its financial risks. Manrique and Marti-Ballester[14] stated contended that most Kenyan enterprises saw enhanced financial performance upon implementing an effective control environment. According to Goh et al.[16], it is necessary to establish internal control systems in order to promote an accounting environment in firms and to detect fraud.

Theoretical framework

The study's foundation is based on stewardship theory propounded by Donaldson and Dan[17]. Stewardship theory perceives managers as trustworthy, collectivist, pro-organizational individuals whose actions align with the principal's interests[18]. According to the notion, even in the absence of controls, managers will behave in the best interests of the organization[19]. The reality that managers occasionally have interests that

differ from owners of the organizations and advance their interests is overlooked by this theory[20]. As for Cote[21], it is imperative to present substitute theories that could potentially contest the selected theory by considering its constraints. Under the alternative theory, managers are willing to act in the principal's best interest since they are viewed as agents.

METHODOLOGY

Due to the data being gathered just once and the use of a descriptive research method to analyze the relationship between the two variables, a cross-sectional research design was selected. The population of this study comprised of all registered SACCOs in Moyo district that have been in operation between the period of 2012 and 2021. The target population include personnel with knowledge on internal control and financial performance of SACCOs from all the registered SACCOs in Moyo district that have remained in

operation by 2021 and the unit of observation therefore targeted the Audit and Supervisory Committees (SUPCO), General Managers, Branch Managers, Accountants, Credit Officers and Cashiers. Four (4) departments (SUPCO, Finance, Credit, and Administration departments) were chosen for each SACCO using the purposive sample technique. For the researcher to augment the secondary data using triangulation, primary data from respondents were collected using questionnaires and interviews.

RESULTS

Table 1: Respondents' responses on gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	34	68.0	68.0	68.0
	Female	16	32.0	32.0	100.0
	Total	50	100.0	100.0	

Source: Primary Data, 2023

The results presented in table 1 revealed that majority of the respondents (68%) are male, while the remaining portion (32%) is composed of female respondents. These percentages provide insight into the gender distribution within the sample, indicating a higher representation of Males compared to Females. This suggests that both

genders were represented, which allowed the researcher to obtain opinions regarding the impact of internal controls on the financial performance of the chosen SACCOs in the Ugandan district of Moyo from respondents in all categories. This complies with the Moyo District Commercial Officer's report to the Council (2022).

Table 2: Respondents' responses on age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-27 Years	16	32.0	32.0	32.0
	28-37 years	17	34.0	34.0	66.0
	38-47 years	10	20.0	20.0	86.0
	48-57 years	4	8.0	8.0	94.0
	Above 58 years	3	6.0	6.0	100.0
	Total	50	100.0	100.0	

Source: Primary Data, 2023

The findings in table 2 above provide a breakdown of the age groups of the respondents in the case study. It reveals the distribution of respondents across different age categories, ranging from 18 to above 58 years. The largest age group is "28-37 years," followed by "18-27 years." These two groups together account for most of the respondents (66%). This information was valuable

for analyzing the demographics of the respondents and was relevant when considering how age factors into the research findings or conclusions. This implies that majority of the respondents were mature people and these were expected to have a good background of the activities within the selected SACCOs in Moyo district.

Table 3: Respondents' responses on educational qualification

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Certificate	5	10.0	10.0	10.0
	Diploma	19	38.0	38.0	48.0
	Bachelor's Degree	25	50.0	50.0	98.0
	Post Graduate Degree	1	2.0	2.0	100.0
Total		50	100.0	100.0	

Source: Primary Data, 2023

From table 3 above, half of the respondents (50%) possess a bachelor's degree, suggesting a relatively high level of education and potentially more in-depth knowledge and analytical skills followed by 38.0% of the respondents hold a diploma certificate. This group represents a substantial portion of the sample and may have specialized training and skills. Their perspectives could offer practical insights into the effect of internal control

on financial performance. A smaller but still notable percentage of respondents possess certificates with 10.0% as their highest educational qualification. This group likely has foundational education and skills. While they may have less formal education compared to the previous two groups, their insights could provide a unique perspective on the topic. Lastly, the small minority (2%) of respondents have a postgraduate degree,

indicating a high level of education and expertise. The findings regarding the educational qualification level suggest that the participants were expected to comprehend the questionnaire

and provide accurate answers because their knowledge was influenced by their educational background, wherein most of the participants held a bachelor's degree as the highest degree.

Table 4: Respondents' responses on the existence of the institution

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 5 year	3	6.0	6.0	6.0
	5-6 years	9	18.0	18.0	24.0
	10-15 years	23	46.0	46.0	70.0
	Above 15 years	15	30.0	30.0	100.0
Total		50	100.0	100.0	

Source: Primary Data, 2023

Furthermore, table 4 indicates the existence of the institution. The majority, 46% of the respondents revealed that, the institutions have been in existence for 10-15 years, followed by 30% which have been established for more than 15 years. The institutions that have been in existence between 5-6 years constituted 18% responses, while those below 5 years accounted for 6% of the respondents. This implied that the distribution

demonstrates a significant representation of relatively established institutions, potentially indicating a stable and experienced environment within which to assess factors impacting performance. The longer existence of these institutions might suggest a higher level of organizational maturity, potentially influencing their financial performance and overall effectiveness.

Table 5: Respondents' responses on the period worked at the selected SACCOs

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than a year	11	22.0	22.0	22.0
	1-5 years	12	24.0	24.0	46.0
	6-10 years	9	18.0	18.0	64.0
	Over 10 years	18	36.0	36.0	100.0
Total		50	100.0	100.0	

Source: Primary Data, 2023

Table 5 indicates that 22.0% of the participants had experienced less than a year, 24.0% had experienced between one and five years, 18% had experienced between six and ten years, and 36.0% had experienced more than ten years. According to the highest percentages in the fourth categories,

most respondents have been with their respective SACCOs for more than ten years. Consequently, the researcher utilized the respondents' answers to generate conclusions on internal control and financial performance from the selected SACCOs.

Table 6: Respondents responses on the frequency of review of SACCO Internal Control Systems

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	After 5 years	9	18.0	18.0	18.0
	Annually	15	30.0	30.0	48.0
	Half-yearly	11	22.0	22.0	70.0
	Other (Specify)	15	30.0	30.0	100.0
	Total	50	100.0	100.0	

Source: Primary Data, 2023

The findings from table 6 indicates that, the most common response, provided by 30.0% of respondents, is that SACCOs review their internal

control systems annually. This suggests that a significant number of SACCOs have established an annual review process, potentially indicating a

commitment to regular assessments of their internal controls. Another substantial portion, 22.0% of respondents, reported that SACCOs review their internal control systems half-yearly. This indicates a higher frequency of assessment

compared to annual reviews. The "Other (Specify)" category, also reported by 30.0% of respondents, suggests that some SACCOs follow review frequencies that are not explicitly mentioned in the provided.

Table 7: Respondents' responses on the functionality of the internal control systems

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	29	58.0	58.0	58.0
	No	21	42.0	42.0	100.0
	Total	50	100.0	100.0	

Source: Primary Data, 2023

Findings in table 7 showed most respondents (58.0%) indicated that the systems of internal controls within their SACCOs are functioning as they are intended to. This suggests a level of confidence in the effectiveness of the internal control measures among this group of respondents. A significant portion of the

respondents, constituting 42.0%, expressed that the internal control systems within their SACCOs are not operating as intended. This implies potential concerns or issues with the functionality and effectiveness of internal controls in a portion of the surveyed SACCOs.

Table 8: Respondents' responses on the rating internal control systems in relation to revenue generation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very ineffective	12	24.0	24.0	24.0
	Ineffective	6	12.0	12.0	36.0
	Uncertain	6	12.0	12.0	48.0
	Effective	26	52.0	52.0	100.0
	Total	50	100.0	100.0	

Source: Primary Data, 2023

The results presented in table 8 revealed that, a quarter of the respondents (24.0%) rated their organization's internal control system as "very ineffective" concerning revenue generation. This suggests a significant level of dissatisfaction or concern about the system's performance in

safeguarding revenue. A smaller percentage (12.0%) of respondents perceived the internal control system as "ineffective." This indicates a degree of dissatisfaction but not as severe as those who rated it as "very ineffective."

Table 9: Respondents’ responses on the descriptive statistics of control environment

Control Environment	Mean	Std. Dev	Interpretation
SACCO has implemented a robust accounting and financial system.	4.18	.962	Very Satisfactory
SACCO monitors internal control operations regularly	4.10	.763	Satisfactory
Senior management provides their subordinates with input on how internal controls are operating.	3.30	1.502	Satisfactory
SACCO implements remedial actions to rectify discovered flaws and vulnerabilities in the system.	3.74	1.026	Satisfactory
Managers and staff uphold integrity in the course of carrying out their jobs.	3.80	.926	Satisfactory
Management is committed to the ethical values in the operations of the SACCO	4.10	.544	Very Satisfactory
The board of directors are independent of management	4.28	.607	Very Satisfactory
Audits standards influence the performance of SACCOs	4.34	1.002	Very Satisfactory
AVERAGE MEAN AND STD. DEVIATION	3.88	0.917	
Valid N (listwise)			

Source: Primary Data, 2023

The data displayed in table 9 indicates that the respondents expressed agreement regarding the control environment, which they found to provide them with a good level of internal control. The mean score had an average value of 3.88, with a standard deviation of 0.0917. The main reason for this was the overwhelming consensus among the majority of participants that the SACCO had effectively implemented a strong accounting and financial system, with an average rating of 4.18 and a standard deviation of 0.962. The respondents have a highly favourable assessment of the SACCO's accounting and financial system, as indicated by an average rating of 4.18, which signifies a "Very Satisfactory" evaluation. The operation of the internal control is regularly monitored, with a mean rating of 4.10 and a standard deviation of 0.763. Although still considered positively, the regular monitoring of the internal control system has a slightly lower mean rating of 4.10, indicating that it is categorized as "Satisfactory." Senior management offers their subordinates feedback on the functioning of internal controls. The element received an average rating of 3.30 with a standard deviation of 1.502. Respondents generally rated it as "Satisfactory," but the higher standard deviation indicates that there is more variety in the replies, suggesting that some respondents may have different ideas. The chosen SACCOs

implement corrective measures to correct errors and weaknesses in the system. The mean rating of 3.74 and Std. dev. of 1.026 show that this feature is considered satisfactory, but there is some variety in perceptions.

The management of the SACCO is dedicated to upholding ethical standards in its operations, as evidenced by a mean score of 3.80 and a standard deviation of 0.926, which is considered satisfactory. The rating for this element is deemed "Satisfactory" with an average score of 3.80. The management of the SACCO is dedicated to upholding ethical ideals in its operations revealed a mean value of 4.10 and Std dev. of 0.544, indicating a very satisfactory performance. The board of directors maintains a high level of independence from management, as indicated by a mean score of 4.28 an Std. dev. of 0.607. This rating suggests a "Very Satisfactory" view. The performance of SACCOs is influenced by standards for audits and audit-related services. According to respondents, audit standards have a positive influence on SACCO performance, with a mean score of 4.34, indicating a "Very Satisfactory" rating. Based on the qualitative data provided, certain respondents were queried about their suggestions for enhancing the Control Environment in SACCOs. The responses were condensed as follows:

Interview 1

“.....frequently review of systems to meet the current environmental demands..... ”

Interview II

“..... invest in continuous training and education for SACCO staff and members to ensure they have a strong understanding of internal controls, ethics, and risk management. This can lead to more informed decision-making and better adherence to control processes.....”

Interview III

“.....develop and regularly update comprehensive policies and procedures that clearly outline internal control

processes, responsibilities, and expectations. This can serve as a guide for staff and members and ensure consistency in control activities.....”

In summary, the quantitative data indicates an overall positive perception of the control environment within the SACCOs, with some aspects rated as "Very Satisfactory." The

qualitative responses highlight the importance of adaptability, education, and clear documentation in further improving the control environment.

Table 10: Respondents’ responses on the descriptive statistics of control activates

Control activates	Mean	Std. Dev	Interpretation
SACCO has policies and procedures to guide in execution of duties and responsibilities	4.46	.646	Very satisfactory
There is clear separation of duties and responsibilities in the SACCO	4.36	.631	Very satisfactory
There is regular review of operational performance done both to staff (appraisals) and the SACCO system	4.20	.881	Satisfactory
All SACCO’s processes have effective control measures (maker, checker, verifier)	4.26	.777	Very satisfactory
Assets of SACCO are identified and protected by the existing security measures.	4.06	.935	Satisfactory
SACCOs' finances are reconciled regularly to prevent any outstanding items that could lead to financial loss of cooperatives.	4.28	.834	Very satisfactory
SACCOs management oversees the deployment of internal control measures.	4.14	.857	Satisfactory
Management of SACCOs provides feedback to junior officers regarding the operation of the system	3.43	1.155	Satisfactory
Average mean and std. deviation Valid N (listwise)	4.23	0.840	

Source: Primary Data, 2023

In addition, the findings in table 10 indicated that the respondents rated the internal controls in terms of Control Activates as highly satisfactory (Average mean=4.23, Std=0.840). The reason for this was that most of the respondents strongly agreed that the selected SACCOs have the necessary policies to govern the execution of their tasks and responsibilities (Mean: 4.46, Std. Dev: 0.646). The respondents express strong approval for the existence of essential policies and procedures that provide guidance for their duties and responsibilities. The average rating of 4.46 indicates a judgment of "Very Satisfactory." The SACCO demonstrates a high level of effectiveness in delineating and assigning tasks and obligations, as indicated by a mean score of 4.36 and Std. dev. of 0.631, indicating a very satisfactory level. Respondents significantly value the presence of a distinct division of tasks and responsibilities, as indicated by an average mean score of 4.36,

classifying it as "Very Satisfactory." Operational performance is regularly reviewed for both staff (through appraisals) and the SACCO system. The rating for this element is 4.20, with a standard deviation of 0.881, which is considered satisfactory. Nevertheless, the presence of a standard deviation of 0.881 indicates that there is a certain degree of unpredictability in the replies. The selected SACCOs have implemented effective control measures, including the use of a maker, checker, and verifier system. The average rating for these control measures is 4.26, with Std. dev. of 0.777, indicating a very satisfactory level of effectiveness. The respondents praised the control measures in SACCO processes for their excellent effectiveness, with an average rating of 4.26, which indicates a perception of "Very Satisfactory". The SACCO's assets are protected by the security systems already in place. The mean rating for the effectiveness of these systems is 4.06, with a Std.

dev. of 0.935, which is considered satisfactory. The respondents have a positive perception of the identification and security of SACCO assets, giving it an average rating of 4.06, which falls within the category of "Satisfactory." The reconciliation of the SACCOs' accounts is performed daily to identify and resolve any outstanding items that could potentially lead to financial losses for the SACCO. The mean score for this task is 4.28, with a standard deviation of 0.834, indicating a very satisfactory performance. The element is rated very positively with a score of 4.28, reflecting a judgment of "Very Satisfactory". Management rigorously oversees the application of internal control systems in the SACCO, with a mean rating of 4.14 and a Std. of 0.857, indicating a satisfactory level of performance. The respondents consider

management's thorough supervision of internal control systems to be satisfactory, with an average rating of 4.14. SACCO offers feedback to young officers regarding the functioning of the system, with a mean score of 3.43 and 1.155 as standard deviation. Although the feedback given by management to junior officers is generally seen in a positive light, it has a somewhat lower average rating of 3.43, which classifies it as "Satisfactory." A higher standard deviation of 1.155 indicates a greater amount of variability in the replies. The researchers inquired the primary interview informants regarding the control activities at the SACCO. The question asked was: "Are the control activities in your SACCO efficient and strictly followed?" What is the most effective way to enhance them? The responses were condensed as follows:

Interview 1

"... There is a need to educate staff who are junior in order to take off well with operations...."

Interview II

"..... the importance of compliance with internal controls and the need for ongoing training to ensure that staff and members understand and adhere to control activities....."

Interview III

".....there is a need for stronger monitoring, and occasional deviations from established procedures....."

In summary, this implied that the control activities within the selected SACCOs are generally perceived positively by respondents, reflecting a robust internal control environment. These

findings indicate that the selected SACCOs have effective policies, separation of duties, and control measures in place, contributing to a secure and well-managed financial environment.

Table 11: Hypothesis one

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.628 ^a	.394	.381	.43533

a. Predictors: (Constant), Financial Performance

ANOVA^a

	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	5.915	1	5.915	31.212	.000 ^b
	Residual	9.096	48	.190		
	Total	15.011	49			

a. Dependent Variable: Control Environment

b. Predictors: (Constant), Financial Performance

Coefficients^a

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients Beta		
1	(Constant)	2.345	.299		7.845	.000
	SECT	.436	.078	.628	5.587	.000

a. Dependent Variable: Control Environment

The findings from Table 11 indicate that control environment had a significant effect on financial performance of SACCOs in Moyo district, as evidenced by a correlation coefficient of 0.628. The

control environment and financial performance are linked by a linear connection, which is characterized by its intensity and direction. A higher R-value suggests a greater positive

correlation. R Square quantifies the percentage of variability in the dependent variable (financial performance) that can be accounted for by the independent variable (control environment). The R Square value in this model is 0.394, indicating that around 39.4% of the variation in financial performance can be accounted for by control environment. The Adjusted R Square takes into account the number of predictors in the model and makes appropriate adjustments to the R Square value. The value in this model is 0.381. The standard error of the model is 0.43533 which is the measure of accuracy for the prediction. Since the value of 0.000 is smaller than 0.05, which is the threshold for declaring a significant effect, the ANOVA table indicates that control environment has a significant effect on financial performance (F-value=31.212 and Sig-value=.000). This suggests that the control environment has a beneficial

impact on the financial effectiveness of the chosen SACCOs in Moyo district. The small p-value ($p < 0.001$) indicates that the regression model is statistically significant, implying that the control environment has a substantial impact on financial performance. The Beta coefficient of 0.628 provides a measure of the degree and direction of the association between the control environment and financial performance. The data indicates a positive correlation between improvements in the control environment and an increase in financial performance. In summary, the result suggests that control environment predicted financial performance of SACCOs in Moyo district significantly. An increase in the control environment is associated with an increase in financial performance, and the model explains approximately 39.4% of the variance in financial performance.

Table 12: Hypothesis two Model Summary

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
1	.488 ^a	.238	.222		.50367

ANOVA^a

	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3.732	1	3.732	14.713	.000 ^b
	Residual	11.923	47	.254		
	Total	15.656	48			

Coefficients^a

Model		Unstandardized Coefficients	Std. Error	Standardized Coefficients	t	Sig.
		B		Beta		
1	(Constant)	2.850	.346		8.227	.000
	SECT	.346	.090	.488	3.836	.000

a. Dependent Variable: Financial Performance

The table above indicates that the correlation coefficient (R) is 0.488. It quantifies the magnitude and orientation of the linear correlation between control actions and financial performance. A higher R-value suggests a greater positive correlation. The coefficient of determination, R Square, measures the proportion of the variance in financial performance that can be explained by the control efforts. The R Square value in this model is 0.238, signifying that control activities explain around 23.8% of the variation in financial performance. The Adjusted R Square is a statistical measure that considers the number of predictors in the model and adjusts the R Square accordingly. The model's value is 0.222, and the Standard Error of the Estimate is 0.50367. The low p-value ($p < 0.001$) suggests that the regression model is statistically significant, indicating that control efforts have a significant

influence on financial performance. The Financial Performance coefficient (0.346) measures the effect of a one-unit change in financial performance on control actions. The Beta coefficient of 0.488 provides a measure of the intensity and direction of the association between control efforts and financial performance. The findings indicate a positive correlation between an escalation in control efforts and a rise in financial performance. In summary, the regression analysis indicates a statistically significant positive correlation between control actions and the financial performance of the chosen SACCOs in Moyo district. There is a positive correlation between an increase in control activities and an increase in financial performance. The model accounts for roughly 23.8% of the variation in financial performance.

DISCUSSION OF FINDINGS

Results of hypothesis one indicated that control environment predicted financial performance of SACCOs in the Moyo district (F-value = 31.212 and Sig-value = .000). This effect was declared significant because 0.000 is less than 0.05. Respondents view the selected SACCOs' accounting and financial system very positively, with an average rating of 4.18, indicating a "Very Satisfactory" perception. This implied that control environment within the surveyed SACCOs is perceived as satisfactory by the respondents. This observation is crucial as a strong control environment provides the foundation for effective internal controls, risk management, and financial stability. This is consistent with the findings of While as one of the key informants asserted; *"there is effective internal control communication in the organization. Information flows smoothly in all directions, allowing for timely reporting and feedback. The organization places a strong emphasis on training and awareness, ensuring that employees understand the importance of internal controls and their roles in maintaining them. The informant mentioned that employees are encouraged to raise concerns or observations related to controls without fear of reprisals"*

The second hypothesis showed that implementing effective control activities has a beneficial effect on the financial performance of the chosen SACCOs in Moyo district. These efforts aid in reducing risks, controlling expenses, deterring fraud, ensuring compliance, and bolstering confidence among members and investors. In order to maintain and enhance their financial performance, SACCOs should prioritize and enhance their control procedures while also remaining flexible in response to changing conditions. The regression findings indicated that the p-value was less than 0.001, suggesting a substantial effect of control actions on financial performance. The coefficient of Financial Performance (0.346) quantifies the impact of a one-unit change in financial performance on control activities. The Beta coefficient of 0.488 provides a measure of the intensity and direction of the association between control efforts and financial performance. The findings indicate a positive correlation between an escalation in control efforts and an improvement in financial performance. Hence, the regression analysis indicates a statistically significant and positive correlation between control actions and financial performance of the chosen SACCOs in Moyo district. The model explains approximately 23.8% of the variation in financial performance and indicates that there is a positive relationship between control actions and financial success. The result is also in line with Alex, Kaazara and Kaazara[25] assertion that internal control According to one of the key informants, *"the importance of compliance with control activities and the need for ongoing training is to ensure that staff and members understand and adhere to control activities....."*

CONCLUSION AND RECOMMENDATIONS

It is discovered that the control environment in the chosen SACCOs in Moyo district had a beneficial impact on financial performance. This is

Ingley and Walt and Lipton et al.[22, 23] who pointed out that the board of directors and senior management provide the foundation for the control environment by establishing morality, good governance, and policies. In keeping with Ingley and Walt's argument that the control environment plays a significant role in the financial performance of businesses in the globe. According to Sewanyina[24] the control environment is made up of personnel who are required to have integrity and ethics and who are tasked with creating, implementing, and overseeing the controls and competencies of directors and employees.

systems have an impact on SACCOs' financial performance. This suggests that SACCOs in the Moyo district need to have fully operational internal control systems to improve their financial performances. Research has shown that the primary aim of external controls is to improve the dependability of financial performance, which in turn raises financial accountability among various stakeholders[8]. According to Alex[25], control and supervision had a favourable impact on SACCO financial performance, particularly return on assets, in his assessment of the internal control system and financial performance of SACCOs in Kenya. Rashid[26] emphasizes that the management team can only perform control activities if its policies and procedures are well-documented. Through control measures like segregation of roles, companies can stop fraud and staff errors before they happen. Organizations can therefore implement strategies to lower fraud and errors, improving their financial performance in the process. This suggests that making sure that only authorized individuals may access critical papers like chequebooks and receipt books is crucial. Companies must also implement physical controls on tangible assets like cash and equipment to enhance their financial performance. According to Rashid[26], the implementation of control activities makes it highly improbable for employees to perpetrate fraud, as each worker verifies the work of their colleagues.

corroborated by the favourable internal control ratings and the highly satisfying view of the accounting and financial system of the chosen

SACCOS. And well constructed control environment has the potential to strengthen the entire governance and administration of SACCOS, resulting in enhanced financial performance. Considering the findings and conclusions of the study, the following recommendations were established:

- 1) SACCOS should prioritize ethical values in their organizational culture. This includes promoting honesty, integrity, and accountability among staff and management. Ensure that the board of directors maintain their independence from management. This can be achieved by implementing governance structures

- that prevent conflicts of interest. Continuously adhere to audit standards and best practices to maintain high-quality financial reporting and internal controls.
- 2) SACCOS should conduct periodic internal reviews of control activities to identify weaknesses and areas for improvement. It is recommended that management be tasked with the responsibility of promptly reviewing audit reports and resolving any non-compliance issues identified within them.

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