

**INFLUENCE OF INTERNAL CONTROL SYSTEMS ON
FINANCIAL PERFORMANCE OF SACCOS IN KIRINYAGA
COUNTY, KENYA**

BY

NJERU NAFTALY WANJAU

**A Research Project Report Submitted In Partial Fulfillment Of The Requirements For
The Award Of Master Of Arts Degree In Project Planning And Management Of The
University Of Nairobi**

2018

DECLARATION

This research project report is my original work and has not been submitted for examination in any university.

Signature.....

Date.....

NJERU NAFTALY WANJAU

L50/85518/2016

This research project report has been submitted for examination with my approval as the university supervisor.

Signature.....

Date.....

PROF. CHARLES MALLANS RAMBO.

SCHOOL OF OPEN AND DISTANCE EDUCATION

UNIVERSITY OF NAIROBI.

TURNITIN ORIGINALITY REPORT

Turnitin Originality Report

INFLUENCE OF INTERNAL CONTROL SYSTEMS ON FINANCIAL PERFORMANCE OF SACCOS IN KIRINYAGA COUNTY, KENYA. by Njeru Naftaly Wanjau

Similarity Index 9%

Similarity by Source

Internet Sources: 5%

Publications: 0%

Student Papers: 7%

sources:

1. 2% match (Internet from 14-Aug-2017)
<https://chss.uonbi.ac.ke/sites/default/files/chss/Carol%20kamau%20Final%20report.pdf>
2. 1% match (student papers from 19-Jul-2017)
[Submitted to The City College on 2017-07-19](#)
3. 1% match (student papers from 26-Aug-2016)
[Submitted to The University of the South Pacific on 2016-08-26](#)
4. 1% match (student papers from 11-May-2017)
[Submitted to London School of Commerce - Dhaka on 2017-05-11](#)
5. < 1% match (student papers from 08-May-2018)
[Submitted to Higher Education Commission Pakistan on 2018-05-08](#)
6. < 1% match (Internet from 15-Jun-2015)
<http://www.ifac.org/global-knowledge-gateway/performance-financial-management?discussions=&overview=>
7. < 1% match (student papers from 12-Feb-2018)
[Submitted to Rivers State University of Science & Technology on 2018-02-12](#)
8. < 1% match (student papers from 10-Nov-2017)
[Submitted to Modern College of Business and Science on 2017-11-10](#)
9. < 1% match (student papers from 17-Jan-2014)
[Submitted to London School of Commerce on 2014-01-17](#)
10. < 1% match (student papers from 06-May-2017)
[Submitted to Colorado Technical University Online on 2017-05-06](#)

DEDICATION

I dedicate this project report to my loving wife, Madam Beth for her moral support throughout this process.

ACKNOWLEDGEMENT

I am so grateful to my research supervisor, Professor Charles Rambo, for his positive criticism and offering his attention to enable me complete my study. Am also grateful to my fellow students for their moral support and encouragement as we learnt together. I appreciate and acknowledge the contribution of my lecturers who have guided me throughout my course at the University of Nairobi

TABLE OF CONTENTS

	page
DECLARATION	ii
TURNITIN ORIGINALITY REPORT	iii
DEDICATION	iv
ACKNOWLEDGEMENT	v
TABLE OF CONTENTS	vi
LIST OF TABLES	viii
LIST OF FIGURES	ix
ABSTRACT.....	x
CHAPTER ONE	1
INTRODUCTION	1
1.1 Background to the Study.....	1
1.2 Statement of the Problem	3
1.3 Purpose of the Study	4
1.4 Objectives of the Study	4
1.5 Research Questions.....	4
1.6 Significance of the Study	5
1.7 Basic Assumptions of the Study	6
1.8 Delimitations of the Study.....	6
1.9 Limitation of the Study.....	6
1.10 Definition of Significant Terms used in the Study.....	6
1.11 Organization of the Study.....	7
CHAPTER TWO	8
LITERATURE REVIEW	8
2.1 Introduction	8
2.2 Internal Control Systems and Performance of SACCOs.....	8
2.3 Concept of Internal Control Systems	9
2.4 Financial Performance of SACCOs.....	9
2.5 Operation Efficiency and Performance of SACCOs.....	10
2.6 Operational Effectiveness and Performance of SACCOs.....	11
2.7 Reliable Financial Reporting and Financial Performance of SACCOs.....	12
2.8 Compliance with Laws and Financial Performance of SACCOs.....	14
2.9 Theoretical Framework.....	15
2.9.1 Agency Theory.....	15
2.9.2 Contingency Theory.....	16
2.9.4 Maslow's Theory.....	18
2.10 Conceptual Framework	19
2.11 Summary of Literature	20
2.12 Knowledge Gap.....	21
CHAPTER THREE	22
RESEARCH METHODOLOGY.....	22
3.1 Introduction	22

3.2 Research Design.....	22
3.3 Target population	22
3.4 Sample Size and Sampling Procedure.....	23
3.4.1 Sample Size.....	23
3.4.2 Sampling procedure.....	24
3.5 Research Instrument.....	24
3.5.1 Pilot Testing of Research Instruments.	24
3.5.2 Validity of Research Instruments	26
3.5.3 Reliability of Research Instruments	26
3.6 Data Collection Procedures	27
3.7 Data Analysis Techniques	27
3.8 Ethical Considerations.....	28
3.9 Operationalization of the Variables.....	29
CHAPTER FOUR.....	30
DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSIONS.	30
4.1 Introduction	30
4.2 Questionnaire Return Rate.	30
4.3 Demographic Characteristics of the Respondents.....	30
4.4 Operational Efficiency and Financial Performance of SACCOs.....	32
4.5 Operational Effectiveness and Financial Performance of SACCOs	33
4.6 Reliable Financial Reporting and Financial Performance of SACCOs	34
4.7 Compliance With Laws and Financial Performance of SACCOs	35
5.1 Introduction	37
5.2 Summary of findings.....	37
5.2.1 Operation Efficiency and Financial Performance of SACCOs.....	37
5.2.2 Operation Effectiveness and Financial Performance of the SACCO.....	37
5.2.3 Reliable Financial Reporting and Financial Performance of the SACCO	38
5.2.4 Compliance With Law and Financial Performance of the SACCO.....	38
5.3 Conclusions	38
5.4 Recommendations	39
5.5 Areas for further research.....	39
REFERENCES	40
APPENDICES	43
Appendix 1: Research Questionnaire for the respondents.....	43
Appendix 2: Map of Kirinyaga County.....	48

LIST OF TABLES

Table 4.1: Questionnaire Return Rate.....	30
Table 4.2 Demographic characteristics.....	31
Table 4.4: Operational Effectiveness and Financial Performance of SACCOs.....	34
Table 4.5 Reliable Financial Reporting and Financial Performance of SACCOs.....	35
Table 4.6 Compliance with Laws and Financial Performance of SACCOs	36

LIST OF FIGURES

Figure 1 : Conceptual framework	19
---------------------------------------	----

ABSTRACT

Internal control of a company constitutes the procedures outlined and influenced by those tasked with governance, personnel and management to give sensible confirmation about the accomplishment of institution's objectives regarding quality feedback, adequacy and effectiveness of activities and consistence with relevant laws and controls. It takes after the internal systems are planned also actualized to take care of distinguished business hazards which undermine accomplishments of either outcome. Along these lines, a compelling inside control system should prevent, detect and disclose any unprofessional conduct or mismanagement in SACCOS and in light of full disclosure those charged with governance can make right decisions using actionable information. Consequentially it follows interfacing function of full time independent function if necessary to be the source of actionable information. This research project will be evaluating influence that internal control frameworks have on monetary execution of SACCOS in Kirinyaga County. The organizations selected for this research project have been in operation for two to fifteen years and this ensured that the information to be collected was more precise and dependable. Results are relied upon to add to the comprehension of the effect of internal control frameworks on money related execution of organizations. Organized questionnaires were utilized to gather essential information on internal control frameworks.. To ensure validity of the questionnaire the expertise of my supervisor and other lecturers were sought. Information collected through questionnaires was analyzed descriptively. The research utilized descriptive survey study design method. The objective populace was 235 managers, from which a sample was obtained. The study found out that reduction in production cost per unit improves the performance of SACCOS. Also, increase in man hours worked improves performance. The study recommends training programmes to enlighten the management and staff, regular meetings with stakeholders to discuss issues related to effectiveness as a tool of internal control, and continued adherence to laws and regulations so as to ensure compliance. The study concluded that there is a positive connection between operational effectiveness and execution of the SACCOS. The analyst suggests a wider comparative analysis on the relationship between efficiency and SACCO performance, effect of supervision on performance, challenges of improving SACCO performance, and to include the other counties for comparison.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study.

An expansive concept, internal control includes everything that controls risk to an association. It is a method by which an association's assets are coordinated, checked, and measured. It assumes a vital part in distinguishing and avoiding misrepresentation and ensuring the association's assets, both physical and intangible, where intangible resources incorporate reputation or protected innovation, for example, trademarks.

At the organizational level, internal control destinations identify with the dependability of financial reporting, feedback on the accomplishment of operational or key objectives, and consistence with laws, directives and regulations. At the particular exchange level, internal control alludes to the moves made to accomplish a particular target. Internal control methodologies diminish process variety, prompting more unsurprising results. Internal controls within business substances are likewise alluded to as operational controls. Comprehension of internal controls gives an extra reference device to all workers to distinguish and survey working controls, money related reporting, and lawful or administrative consistence forms and to make a move to reinforce controls where required. By creating powerful frameworks of control, we can add to improving the association's capacity to meet its goals in view of the internal control rules as prescribed by the Committee of Sponsoring Organizations (COSO) of the Tread way Commission (COSO, 2009).

Internal Controls are deliberate measures, for example, survey balanced governance, strategies in a systematic and proficient way, defending its profits and assets and to stop and distinguish mistakes, misrepresentation and theft, to guarantee accuracy and correctness in accounting and working information, anchoring consistence with the approaches of the association, and creating solid and financial and administration information keeping in mind the end goal to assess the level of financial performance in every single authoritative unit of the association. Internal controls are just great business practices.

According to Wamae (2005), everyone in an organization has some role in internal controls. The roles vary depending upon the level of responsibility and the nature of involvement by the individual. The managers and division heads have oversight duty regarding internal

controls inside their departments. Administrators and supervisory work force are in charge of executing control arrangements and strategies at the detail level inside their particular unit. Every person inside a unit is to be mindful of appropriate internal control strategies related with their particular professional obligations.

Angelloet.al. (2001) stressed that each kind of corporate internal control framework embraced in a business association relies on the differing necessities of an association. Notwithstanding, the most widely recognized methods that are executed in a large number of the business associations are preventive internal control, detective internal control systems, and corrective controls Preventive control framework is composed in such an approach to detect and eliminate blunders and anomalies before they have happened. In detective corporate inner control, it remedies blunders and anomalies that have been recognized. With regards to corrective control framework, is intended to revise mistakes or anomalies that have just happened. According to Williams (2010), for an internal control system to be effective the five components must work together for better performance and these components include:

1. controlled environment
2. risk assessment and management
3. control activities
4. Information communication and monitoring.

The administration style and the desire for upper level managers especially their control arrangements decide the control condition which comprises of free oversight given by the board of directors (BOD). For quite a while internal control frameworks had been a topical issue following worldwide fake money related reporting and accounting embarrassments in both developed and developing countries, long ago embezzlement of funds was an obvious issue because organizations relied on manual procedures and practices with no specialized personnel to perfume duties and this led to poor financial performance. Currently due to implementation of internal controls there have been great improvement on financial performance and the profitability of many organizations has gone up significantly however, still we have witnessed some cases in Kenya due to inferior internal control systems e.g. many banks recording cases of money irregularities and theft where employees collude with outsiders to intercept security vehicles tasked with carrying cash. Records show that the

financial institution has time and again experienced cases where employees have deliberately tampered with computer systems and obtained vital information such as customer account numbers and other details.

A preventive approach proactive enough to manage the issue requires a fundamental evaluation of existing inner control structures in establishments to decide their capacity to ensure that the organization's activities are done according to set up goals, guidelines, techniques, laws and regulations (Louwers, 2005).

1.2 Statement of the Problem

A successful control framework gives sensible, however not supreme confirmation for the defending of assets, the unwavering quality of money related information, and the consistence with laws and regulations. Sensible affirmation is an idea that recognizes that control frameworks ought to be produced and actualized to furnish administration with the proper harmony between danger of a specific business model and the level of control required to guarantee business objectives are met (Wamae, 2005).

According to COSO (2009), organizations with effective internal control systems leads to better financial performance and lessened expenses related with open writing about internal control frameworks since issues are distinguished on an proactive instead of reactive manner. However, the idea of administration in Kenya is currently progressively being grasped realizing that it prompts feasible development and all the more in this way, since Kenya has had a background marked by poor administration framework.

Regulation, policies, accounting standards as well as internal controls that companies have put in place have done little to prevent irregularities in many SACCOs. Despite all these measures the problem still persists. For example, weak corporate administration practices, absence of internal controls, shortcomings in administrative and supervisory frameworks, insider loaning and irreconcilable circumstance prompted the fall of numerous money related organizations with others going into receivership in Kenya, (Centre for Corporate Governance, 2004). Similarly we witnessed the near collapse of the Uchumi Supermarket the year 2000 as a result of weak internal controls resulting in its inability to meet its obligation thus going into receivership. Weak internal controls in many organizations require to be urgently addressed otherwise we will continue to witness many other organizations suffer

from fraudulent practices; register poor financial performance or even collapse. It is in this sense, this research tries to link the performance in SACCOs and the internal control systems and come up with ways on how to save our SACCOs\ from such undesired consequences. (Centre for Corporate Governance, 2004).

1.3 Purpose of the Study

This research aims to pinpoint what motivation is behind the internal control frameworks in SACCOs specifically those in Kirinyaga county.

1.4 Objectives of the Study

The following are the main objectives of this research.

- i. To decide how operational effectiveness as an internal control framework impact the performance of SACCOs in Kirinyaga County.
- ii. To look at how operational viability as an internal control framework impact the performance of SACCOs in Kirinyaga County.
- iii. To build up how dependable financial analysis as an internal control framework impact the performance of SACCOs in Kirinyaga County.
- iv. To decide how consistence with laws as an internal control framework impact the performance of SACCOs in Kirinyaga County.
- v. To set up the directing impact of SACCOs' controls and arrangements on the link connecting performance and internal control frameworks in SACCOs of Kirinyaga County.

1.5 Research Questions.

This study answers the following;

- i. How does operational efficiency influence the performance of SACCOs in Kirinyaga County?
- ii. In which ways does operational effectiveness influence the performance of SACCOs in Kirinyaga County?
- iii. Does reliable financial reporting influence the performance of SACCOs in Kirinyaga County?

- iv. How does compliance with laws influence the performance of SACCOs in Kirinyaga County?
- v. Does adherence to SACCO's regulations and policies influence their performance?

1.6 Significance of the Study

While a lot of attention has been directed towards the growth of SACCOs, little has been done to decide if the ability of internal control frameworks effect on the execution of SACCOs. It is expected that the findings of this research will be useful to the policy planners in their effort to improve the internal control systems. It is also expected to be useful to the academicians and students in their study. The researcher also hopes that the study will be useful to the government especially in these days where fraudulent activities are on the increase. The financial accounting method utilized puts considerable impact over the receptiveness of cash related reporting. Which implies the framework can be viewed as an essential bit of the internal control framework. The findings of this study are expected to make an important contribution towards accountants understanding on preparation of financial reports following the applicable laws and regulations according to generally accepted accounting principles and hence reliable reports. The researcher also hopes that the accountants will have humble time because the systems will provide organizations with a uniform way to use organization data and financial information for strategizing. This study is expected to find out whether there is any connection between the nature of internal control systems and the undertaking execution. The primary segment of good internal control framework is the associations' perspective of trustworthiness and feeling of morals. Individuals from senior management, for example, the Executive Directors and the financial officers, at last have the obligation of the internal control framework and ought to be focused on competence. The Executive Director can significantly affect the association's general perspective of what constitutes commendable practices. In the event that the Executive Director inspires to whatever remains of the organization and staff that uprightness and a feeling of morals are basic characteristics in the association, adherence to any internal control framework will be more grounded than it would if the Executive Director did not demonstrate a guarantee to these characteristics. This study is expected to help the organizations realize

the importance of internal controls in improving their financial standing and therefore work towards strengthening them.

1.7 Basic Assumptions of the Study

In the assumption that internal control frameworks influence financial performance of SACCOs in Kirinyaga County, it is also assumed that the respondents made themselves available and participate in the study voluntarily without prejudice. The researcher also assumed that the respondents gave information in good faith. It is also assumed that the information collected was reliable to help the researcher achieve the objectives.

1.8 Delimitations of the Study

The research seeks to look at the internal control systems of SACCOs in Kirinyaga county and how they affect their monetary performance. This is because Kirinyaga County has the highest concentration of SACCOs as compared to the other counties. The study concentrated on operational efficiency, operational effectiveness, compliance with laws and reliable financial reporting as the components of internal control system in the selected SACCOs. The research methodology used was descriptive survey method

1.9 Limitation of the Study.

A study of this magnitude cannot be possible without limitations. The researcher faced suspicion from the respondent but used the management who assured the employee that the information collected is for academic purpose only. The mode of transport also paused a challenge, because the researcher had to go through difficulties while travelling. This is due to the county's neglect in terms of infrastructures like roads. As a result, some questionnaires were emailed to the respondents.

1.10 Definition of Significant Terms used in the Study

Internal Control System: an undertaking whereby the objectives of a company are assured through effective operations, efficiency, financial reporting and analysis and adherence to the laid down regulations laws and procedures is what is referred to as internal control systems

Financial Performance of SACCOs: measures of how good an institution can utilize resources from its original model of business and have income. When the results of a firm either in terms of its policies or operations are measured in or income monetary values then

that's what is termed as the financial performance. These values can be either due to returns on investments, assets or the added value.

Operational Effectiveness: when a company or organization is able to accomplish its objectives and within the companies' laid down organization and environment, following the set rules and regulations and considering all the vulnerabilities like making of losses then that company is said to be effective.

Operational Efficiency: efficiency is getting more output from similar assets or getting a similar output from fewer assets. If a company is able to deliver its product to the consumer at a good cost with the same quality service and support then that company is efficient.

Policies: An organizations', institutions, association or individual course of action or principle of action which is proposed and adopted by the same.

Regulation: Each administrative authority has its own guidelines and rules which govern it, they are made and maintained by the same authority and they are known as regulations

1.11 Organization of the Study.

This chapter brings forth the background of the study showing the link between performance of SACCOs and the strength of internal controls. Furthermore, reason for study and the research problem is additionally recognized. The study tries to analyse the part of internal controls on SACCO performance. The chapter describes the study inquiries and theories to be tried.

The chapter likewise shows the noteworthiness and the delimitations of the study. It additionally exhibits the meaning of different phrasings utilized as a part of the investigation. The following section presents hypothetical and experimental writing survey while part three displays the study approach.

Chapter four captured the analysis of data, presentation; interpretation and chapter five contain conclusions, discussions and recommendations for more research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section tackles essential issues that form the backbone of the research. It is outlined systematically from the theoretical literature to the conceptual framework of the research. This chapter reviews literature that is related to internal control systems.

2.2 Internal Control Systems and Performance of SACCOs.

Institutions rarely make policy changes with the intention of creating chaos in the workplace, however regularly, notwithstanding when arrangement changes enhance better working conditions for employees; employees' underlying response is frequently resistance. Before the employees grasp and understand to a point of being convinced beyond doubt that the proposed changes are for their own good then they will most of the time be unreceptive to the said change which affects the institution negatively. The alterations of arrangements in the work environment influence various individuals, every one of whom may respond in an unexpected way. Until the point that new methodologies or practices are fully built up, legitimate execution may be impacted, regularly contrarily, as representative's wind up familiar with better approaches for performing work undertakings or distinctive desires for individual conduct. (Wamae, 2005)

Right when operational system changes are made, it is definitely not a stretch to envision that authoritative execution will be influenced until the moment that workers get settled with new practices. Actualizing new methodology, founding distinctive operational frameworks, progressing to new hardware or programming as coordinated by arrangement any change that impacts how employees play out each day endeavors can be required to influence authoritative execution. Execution may slack while workers are prepared in new practices or gear/programming, and may additionally be influenced while workers get comfortable with the new strategies or frameworks. Changes to worker approaches, for example, interest, leave, direction or planning, routinely impact institutional execution despite when the association between work assignments and the courses of action affected isn't straight. Exactly when the change to employee systems is viewed as disciplinary or reactionary, the result is as often as possible disappointed workers who are impenetrable to change, paying little mind to whether these movements will evidently make a prevalent working

environment. Employee's displeasure and low spirit are all around perceived as inconvenient to an organizations performance, and strategy changes particularly disagreeable changes can be relied upon to influence both confidence and fulfillment. Therefore regulations and policies may influence the financial performance of SACCOs. (Wamae, 2005)

2.3 Concept of Internal Control Systems

When financial institutions all of a sudden collapse the most common query always is, "what happened?" A failure in the internal control framework is the primary reason. Aasmund et.al (2010) sees these systems as helping an organization to achieve its objectives. Then the objectives join operational capability and sufficiency, steadfast nature of money related reporting, and consistence with pertinent laws and directions. Ricchiute, (2009) characterizes inward control as a system, influenced by components' best administrative staff, organization and other workforce and planned to give sensible certification regarding the achievement of legitimate goals and objectives. Wamae (2005) also felt that internal control system meant every one of the arrangements and strategies adopted by the administration of an entity in accomplishing administration objective of ensuring, comparatively as practicable the methodical and successful reason for its business including adherences to administration approaches, financial information, shielding of benefits, accuracy of records and prevention and detection of mistake.

One of the measures for safeguarding project resources is the establishment of a strong system of internal control. The key objective of such a system is to manage and contain risks and provide reasonable assurance that the resources are not only safe but are also efficiently and effectively utilized. The project manager is required to identify and sustain the organizations governance process and frequently acquire assurances concerning effectiveness of the risk management and control processes.

2.4 Financial Performance of SACCOS

The level of execution of a business over a time period, imparted as all around losses and profits. Evaluating the monetary execution of a business empowers managers to judge the outcomes of business strategies and activities in objective financial terms. Internal control structures including inner surveys are required mainly to enhance the unwavering quality of monetary execution, either straightforwardly or otherwise by growing obligation among information providers in an association (Jensen, 2003). In this context internal control can

motivate to a certain extent for example to the point that the level of association on issues of cut down wages which distinguish the link between disclosure of material weakness and deception, benefit the organization or redundancies. Free assessment of the idea of managerial execution in improving earnings is given in internal controls. Practical interior control for earnings incorporates; standard review, quality and Integrity of budgetary and working information, an overview of the controls used to shield assets, an examination of specialists consistence with organization techniques, frameworks and important laws and bearings, an appraisal of the profitability and amplex within which organization achieves its authoritative objectives (Ittner, 2003).

Financial statement analysis is the best approach to assess the monetary execution of a SACCO. Financial analysis includes evaluating the use, benefit, operational productivity and dissolvability of a SACCO. Money related proportions are the rule instrument used to direct the investigation.

2.5 Operation Efficiency and Performance of SACCOs

Defined as the proportion when comparing the output gotten from the business and the input used to run the operation. To improve efficiency, the output to input ratio should improve. According to Slower (2013) efficiency in operation reduces cost of production, improves monitoring and evaluation and improvement of process. Supervision ends up less demanding and approved enhancing the nature of administration offered to the client. While improving operational profitability, operation bosses have a couple of choices, for instance, same earnings for fewer resources, more income for same resources, and considerably more income for more resources. It is a normal that costs or expenses are the first to be reduced if a company wants to improve its operations, or sometimes the same for fewer models can help improve operations but not both alternatives which are very distinct in nature. Same for less model of business can be executed by computerizing operations, or streamlining of working techniques or centralizing operations for better and faster management. More for same alternative works on reducing its output of flawed things, and in this way diminishing after deals cost, without using more money or resources. This can be proficient through use of significant worth organization structures, watching out for quality in existing products. Additional for more alternatives is when a collective affiliation places assets into another creation project that allows them produce things with more refinement than what they could

have made in the planned task. Then they offer these things at a rate that compensates for the additional cost and allows a margin of extra profits. More for more involves an organization investing more on maintaining their clientele which ends up with consumer loyalty and reliable clients (Ittner, 2003).

2.6 Operational Effectiveness and Performance of SACCOs.

When a business or organization incorporates practices which allow maximizing resources used hence developing more products and in a faster pace than their competitors is what is referred to as an effective operation. It is has four parts.

- i. Leading and controlling functional performance
- ii. measuring
- iii. improving the process
- iv. leveraging and automating process and continuously improving performance

Effectiveness and proficiency are terms that can, now and again, be compatible with the term adequacy. The word compelling is at times utilized as a part of a quantitative way, that is, by and large extremely successful or not exceptionally powerful. Be that as it may, neither adequacy, nor successfully, illuminate about the bearing, regardless of whether positive or negative, and the correlation with a standard of the given impact. Different equivalent words for effectiveness include: clout, ability, achievement, weight, execution. Antonyms for effectiveness include: futility or inadequacy. Effective means outcome and efficiency means output. A successful control condition is a domain where skilled individuals comprehend and are focused on their duties, the points of confinement to their power, and are proficient, careful, and focused on making the wisest decision and doing it the correct way. They are focused on following an association's strategies and systems and its moral and social models. (Ramsy, 2005).

Whittington (2010) lists a portion of the control condition factors which incorporates the accompanying Integrity and moral qualities. The adequacy of internal control framework depends directly upon the correspondence and implementation of the trustworthiness and moral estimations of work force who are in charge of making, overseeing and observing controls. Top management should come up with clearly stated statements of moral values and also clearly improve behavioral, moral and integrity systems that discourage workers in engaging inappropriate in these acts. The management should also provide proper recourse

when they become aware of such acts (Ramsy, 2005). Human asset arrangements and strategies eventually impact the adequacy of internal controls. Therefore administration, arrangements and practices for procuring, giving introduction, preparing, assessing, advising advancing and remunerating workers affect effectiveness of the control condition. E.g. guidelines of enlisting the most qualified individual with an accentuation on education, background proof of integrity and moral conduct outlines the association duty to contracting equipped and dependable workers (Wamae, 2005).

Operational adequacy suggests that space of hierarchical development that is tied in with having limits that function outstandingly. These limits must fit together and work in conjunction with each other to execute framework. Operational adequacy incorporates any number of practices that engage a relationship to

1. Better utilize its advantages
2. Better execute its strategies
3. Accomplish its fundamental objective and goals.

Operational viability is about reliably improving useful execution. To accomplish this, managers lead and control the valuable activities inside the company, measure and upgrade the strategies for which they are careful, and after a short time later close the circle by using those progressions for enhanced useful viability. It is then the part of methodology to form these capacities into a reasonable hierarchical whole that will prevail in the commercial center (Whittington, 2010)

2.7 Reliable Financial Reporting and Financial Performance of SACCOs.

Businesses, Individuals or other elements prepare records formally showing their budgetary activities and positions in the business, these records are called financial reports. This information is presented in a planned manner and easily understandable by all. These reports include revenue and expense reports, a balance sheet showing all the assets and liabilities of the company, a statement showing the income, expense and revenue report, a report showing the cash flow, equity report showing all the resources and how they change hands. These reports provide data about the overall performance, budgetary position and the changes in financial matters in an organization. Financial reports are useful to everyone who is involved in a business and also the general public if the said organization is a public entity, they should

be easy to access since they are mostly used in making financial decisions. They should also be reliable, easily understandable and relevant to all and most of all they should be in a way that that people can relate with them.

The people willing to read these reports especially those with accounting background should be able to understand them since they are the most likely target readers. These reports benefit several people especially those rely on them to make important financial decisions for example proprietor and owners of the company, financial analyzers, investors and shareholders. Management can also use these reports after analysis to know if or whether it is running to its planned or desired objective. Employees of a firm use these reports to prepare the collective bargaining agreements (CBA) with the organization, because of specialist's associations or for individuals in discussing their compensation, headway and rankings. Financial institutions for example SACCOs use them to pick whether to permit an association with fresh working capital or stretch out commitment securities to back augmentation and other basic uses. (Huiet.al., 2011). Investment through appraisals or through analysis, resources allocation depending on the needs of an operation in an organization, future planning, management of capital, and cash flow are some of the variables which are covered by financial reporting and management. (Aassmund et.al 2010)

A convincing budgetary analysis requires attracting people to choose their information needs, realizing systems and structures to accumulate the right data, changing the data into information and encounters, and showing it in the best way. Executing technique incorporates making a translation of philosophies decisively, apportioning advantages for the right areas, and assessing comes about and considering people capable. Cash related organization covers these inside parts of regulating and upgrading authoritative execution. Managers need to understand that the affiliation is doing the right things and what's more wrecking them the best way that could be accessible. (Drucker, 2007)

Sound cash related management, organization, and control gives the start to an association achieving its goals and can be the qualification among advance and frustration. Great money related administration encourages an establishment to screen its everyday exercises, deal with its immediate working capital needs, and adequately deal with its assets and also gives the data it requires to empower it to design and work more effectively. (Gichohi, 2014)

2.8 Compliance with Laws and Financial Performance of SACCOs.

In general, compliance refers to fitting in with a control measure. Managerial consistence depicts the target that institutions look to achieve in their undertakings to ensure that they think about and figure out how to follow laws, polices, and orders. In view of the extending number of mandates and prerequisite for operational straightforwardness, institutions are logically getting the use of consolidated and organized courses of action of consistence controls. This approach is used to ensure that all fundamental organization necessities can be met without the duplication of exertion and activity from assets. (Conger, 1991)

Most of the directives which govern business are set up by the government which must be followed and adhered to, therefore these entities sometimes change the way they operate to incorporate these new rules for example new economic policies will always have an impact whether negative or positive to the profitability or competitiveness of a business. Data support is a bit of authoritative consistence that is wound up being a test in various cases. The security that begins from consistence with industry controls can give off an impression of being contrary to keeping up customer assurance. Data upkeep laws and controls ask data proprietors and other authority associations to hold wide records of customer activity past the time of the normal business exercises. (Aidis, 2005)

The administration can execute laws that change the social aspect in the business condition. For instance, the legislature can execute new laws that increase taxes on certain sectors resulting to instant closing up of business or investors opting out of business. or again exemptions on taxes which result to vibrant growth and economic development of the said sector. For instance imported merchandise with high rates of taxes may empower local production of the same merchandise. Then again, a high duty rate for crude materials hampers local creation. Government's execution mostly is inhibited by the political culture existing. Plans made in a politically calm and democratic atmosphere will more successfully executed than those in a politically lit environment. Political stability invites external investors and spurs local economic growth (Momanyi, 2016).The government can affect the business models and modes, if the government increases the rates then the buying and selling power is reduced and this directly affects the cost of getting into business. the government also can affect financing costs in the short term by printing more money, which may over the long haul incite extension. Organizations don't thrive when there is a stagnated condition of development. (Gichohi, 2014)

Bank currency exchange rates, minimum wage, and the necessities for stipends or licenses have outcomes for business. Organizations may spend a ton of cash and time to consent to controls that at last turn out to be inadequate. Reasonable and viable directions, be that as it may, advance business development. Task of expert and duty work force inside the association need an unmistakable comprehension of their obligations and the rules and directions that govern their activities. Keeping in mind the end goal to upgrade control condition, administration builds up employees expected set of responsibilities and plainly characterizes specialist and duty inside the association. An all-around outlined association culture gives a premise to arranging coordinating and controlling tasks. It isolates master, commitments among people from an association by overseeing issues, for example, unified and decentralized basic leadership, suitable isolation of obligations among the different offices (David, 2003).

Administration rationality and operational style-administration contrast in both their methods of insight towards monetary reporting and their attitudes towards going out on a limb. These distinctions and working style may affect generally dependability of money related explanations (Wamae, 2005).

2.9 Theoretical Framework.

There are three major theories on internal control of financial performance as discussed below

- i. Agency theory
- ii. Contingency theory
- iii. Theory of the firm.

2.9.1 Agency Theory

Agency theory basically tries to resolve problems which arise from a business related relationship especially that of an agent and a principal, according to this theory the agent and the principal have a relationship which has problems like any other relationship especially when there is unparalleled goals or different ways of looking at risks especially those involved in business operations. Stephen Ross and Barry Mitnick were the proponents and formulators of this theory. Ross came up with the origin of the economic agency theory, and Mitnick the institutional agency theory, Ross brought the study of agency as far as issues of pay contracting; organization was seen, fundamentally, as a motivating forces issue and

Mitnick came up with the understanding that organizations conform to office, and develop to manage office, in light of the basic imperfections of office relationships

An agency is the connection between two entities, where one is a principal and the other is an operator who works on behalf of the principal in dealings with an outsider. Office connections happen when the principals procure the operator to play out an administration for the principals' sake. Principals regularly appoint basic leadership roles to the operators. Since contracts and decisions are made by the operators that involve the principal, organization issues can emerge. Agency theory caters for issues that emerge because of contrasts between the objectives or wants between the principal and operator. This circumstance may happen in light of the fact that the principal doesn't know about the activities of the operator or is denied by assets from getting the data.

Adams (1994) states that agency theory incorporate more extreme and more critical research in the inner review. Agency theory argues that internal review, the same as other intervening frameworks like money related reporting and external survey, keeps up financially savvy contracting among proprietors and principals. Agency theory can be utilized to exactly test whether budgetary execution of SACCOs might be impacted by quality of internal control frameworks, where operators are endowed to work for the standards.

2.9.2 Contingency Theory

Contingency Theory states that there is no single most ideal approach to lead an association. There are a number of internal and external imperatives that will modify what truly is the most ideal approach to lead is in a given circumstance. As such, everything relies on the current circumstance in the matter of what will be the best strategy.

Contingency hypothesis expresses that “the design and use of control systems is contingent upon the context of the organizational setting in which these controls operate,” (Fisher, 1998). Effectiveness in an organization relies on a fit or match between external conditions, development, structure and size, approach and national culture. This theory was coined from the sociological functionalist theories of institutional structure. It is used to depict the associations between the interesting situation and structure of internal control structures and institutions capabilities, especially solid nature of money related reporting. Studies show that internal who are well qualified in auditing will perform auditing services and the SACCO will benefit in the authoritative viability by means of internal control components

proficiency. The theory suggests that the solicitations constrained by particular endeavors in the affiliation stimulate the headway of methods to mastermind and control inside activities. (Aidis, 2005)

Daft (2012) defines contingency as "one thing relies upon different things" and "contingency theory means it depends" Audit limits are assignment arranged and can be sorted out. The limits also can vary stunningly, dependent upon the zone of an association under survey and the sort of plan of activity, so evaluators ought to purposely manage their survey and consider getting it done. The contingency theory furthermore can be associated with a survey gathering's structure. Customarily, audit aggregate executives get survey of operation. They by then make unscheduled survey of tasks, picking evaluators in light of fitness and involvement in the zones, and accessibility, all of which signify possibilities for any given review venture. (Daft, 2012)

2.9.3 The Theory of the Firm

The theory of the firm contains a few financial speculations hypothesis that improve and foresee the idea of the firm, establishment, or association, including its reality, conduct, structure, and relationship to the market.

It aims at answering the questions below

- a. Why are firms organized out in such a specific structure, for example as why organizations are structured into firms,
- b. Why firms exist and what a firm exactly is
- c. How the connections inside the firm and also between the firm and society everywhere resemble. (Thomas,2008).

This theory has financial speculations in various forms that clarify, foresee and depict the firms', organizations, or company's idea, including its reality, conduct, structure, and relationship to the market. It also looks at the firm as a "black box" which is accepted to carry on like some other self-intrigued utility boosting financial on-screen character. This view depends on the conviction about the association's capacity to promptly alter itself to an evolving situation. Thus assets of a firm are thought to be put to their generally effective use without seeing "inside" the firm. It is dealt with as a substance rivaling other firms in the market. (Kantarelis, 2007).

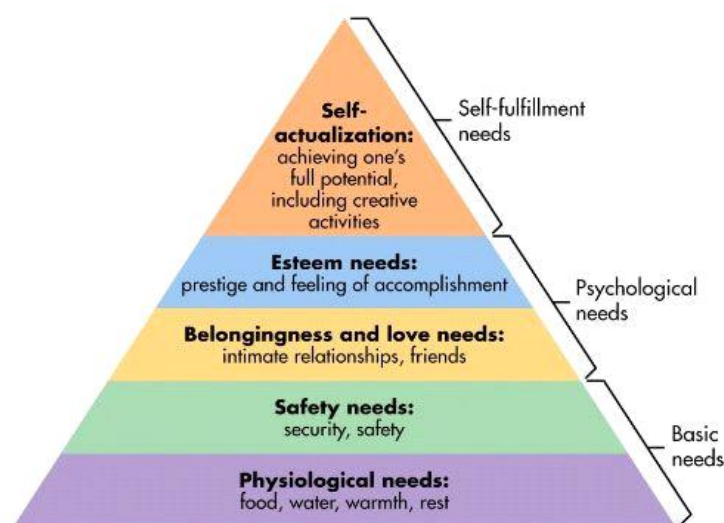
Through these three theories: agency theory, contingency theory and the theory of the firm. This study is basing its arguments: agency theory illustrates the link between the principal and the operator and the agents obligations which incorporate money related reporting, planning and giving some other extra data to the foremost. The contingency theory then again clarifies that associations' conduct and capacities are subject to variables, for example, innovation, culture and the outside condition that the associations work in while the theory of the firm affirms that, a firm is worked to meet the applicable peripheral conditions as for information input and output, thereby maximizing profits, or more accurately and present value. Thomas, 2008)

2.9.4 Maslow's Theory

Maslow tried to proof that people as humans have the desire to self-actualize, that is, to be all we can be and therefore to meet this objective a list of needs have to be met. These are;

1. Self-Actualization.
2. self Esteem
3. Social belonging/love
4. Safety
5. Physiological

The scholar trusted that inspiration is driven by the presence of these unsatisfied needs, Silva (2009). As per the hypothesis, if the venture staffs are to be inspired, the level needs must be met following the Maslow's hierarchy starting from the lowest(physiological) upwards towards self-actualization. After the lower level of requirements has been fulfilled, the task group will be spurred to fulfill the next more elevated needs. Highly motivated staff would be more efficient and effective.



2.10 Conceptual Framework

This shows the conceptual framework components of dependent and independent variables against financial performance of SACCOs.

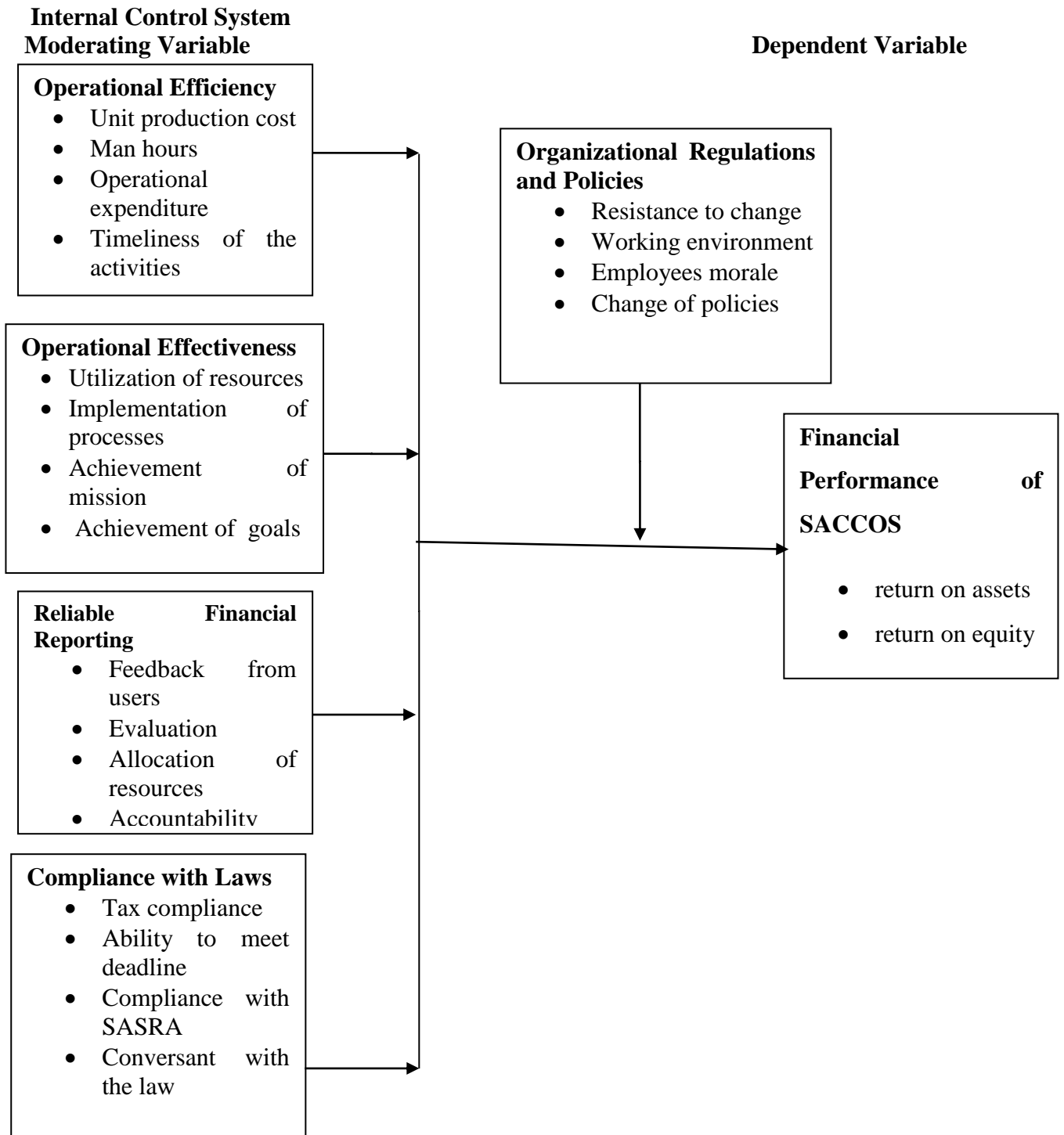


Figure 2.1: Conceptual framework of internal control systems and performance of SACCOs

Figure 2.1 shows the conceptual framework components of dependent and independent variables. Financial performance of organization is the dependent variable. This is achieved by the presence and proper functioning of all the predefined independent variables in relation to each category of the organization's objectives. Proper functioning of independent variables provides reasonable assurance of proper functioning of dependent variable. Then the organization realizes preset objectives of efficient and effective operations, generation of accurate, reliable and informative financial reports that comply with relevant legal and regulatory requirements. The objectives are overlapping. This means efficient and effective operations produces accurate, reliable and informative financial reports that comply with applicable laws and regulations.

2.11 Summary of Literature

Internal control systems including internal audits are intended primarily to enhance the reliability of financial performance, either directly or indirectly by increasing accountability among information providers in an organization (Jensen, 2003). Effective financial management and reporting requires: engaging people to determine their information needs, implementing processes and systems to collect the right data, turning the data into information and insights, and presenting it in the best way. Governments establish many rules and regulations that guide businesses. Businesses will normally change the way they operate when government changes these rules and regulations. Government economic policy and market regulations have an influence on the competitiveness and profitability of businesses. Business owners must comply with regulations established by state and local governments. (Jensen, 2003).

The objective of financial statements is to provide information about the financial position, performance and changes in financial position of an enterprise that is useful to a wide range of users in making economic decisions. Financial statements should be understandable, relevant, reliable and comparable. Reported assets, liabilities, equity, income and expenses are directly related to an organization's financial position. The theories relating to this study includes agency theory, contingency theory, and theory of the firm and Maslow hierarchy of needs. Agency theory is concerned with resolving problems in agency relationship in organizations. Contingency theory is an approach to the study of organizational behavior in which explanations are given as to how contingent factors such as technology, culture and the external environment influence the design and function of organizations.

The theory of the firm consists of a number of economic theories that explain and predict the nature of the firm, company, or corporation, including its existence, behavior, structure, and relationship to the market. Abraham Maslow's hierarchy of needs theory provides an insight into what basically motivates people. (Jensen, 2003).

2.12 Knowledge Gap.

Variable	Author (Year)	Title of the Study	Findings	Knowledge Gap
Operational efficiency	Kiragu (2014)	D.N Effect of SASRA on performance	Variations of performance are due to size, liquidity and cost of capital.	There are no guidelines to effect the ICS.
Operational effectiveness	Kamau (2014)	C. N. Effect of ICS on financial performance of manufacturing firms.	Financial performance is measured by efficiency and effective implementation of ICS.	There is no defined descriptive measure of efficiency and effectiveness
Reliable financial reporting	Kamweji (2014)	M. Effect of adoption of IFRS on quality of accounting information of SACCOs	Adoption of IFRS leads to transparency and uniformity of accounting information.	The emerging social and environmental accounting are not yet adopted in SACCOs
Compliance with laws	Kamau (2014)	C. N. Effect of ICS on financial performance of manufacturing firms.	Employees have the level of education required to undertake the tasks	There is no direct relationship of compliance with laws and
Performance of saccos	Kiragu (2014)	D. N. Effect of SASRA on performance	Performance varies due to management quality and non-performing loans.	Lack of guidelines on qualifications of elected leaders and controls on who qualifies for the loans

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the research methodology that will be used to conduct the study. This includes; the research design, the target population, sample design, data collection procedure (instrumentation) and data analysis techniques. This chapter presents the research methodology techniques that will be used to carry out the research; it contains the research design, target population, sampling procedures and sample size, instrumentation, data collection procedures and data analysis methods to be used in this study.

3.2 Research Design

A research design is the general framework which a researcher uses to answer a research question. It is not just a work plan (Saunders et al., 2014). A work plan details what has to be done to complete the project but the work plan will follow from the project's research design. The function of a research design is to ensure that the evidence obtained enables one to answer the initial question as unambiguously as possible (Cooper &Schindler, 2014). The study employed descriptive survey research design. According to Gay, as quoted by Mugenda and Mugenda (2003) descriptive research is a process of collecting data in order to test hypothesis or to answer questions concerning the current status of the subject in the study. According to Mugenda and Mugenda (2003) descriptive research determines and reports the way things are. This type of research attempts to describe such things as possible behavior, attitudes, values and characteristic. The study focused on the influence the internal control systems have on financial performance of SACCOs. Best and khan (2000) indicate that there are two types of descriptive survey design, correlation study and direct observation, correlation methodology was adopted in this study because it allowed for two sets of data to be collected and relationship between them determined, for this study internal control systems forms the independent variable affecting the financial performance of organizations as the dependant variable.

3.3 Target population

The researcher is targeting the licensed SACCOs operating in Kirinyaga County. Nine licensed financial SACCOs are targeted and from each branch, the branch manager, finance

manager, risk manager, human resource manager, and marketing manager, and therefore the target population was 235 managers.

Units of analysis	Branches	No of managers
BINGWA	18	90
FORTUNE	10	50
OLLINS	5	25
GICHUGU	3	15
NUFAIKA	3	15
NEEMA	4	20
UTHERI	1	5
LAINISHA	2	10
MWIETHERI	1	5
TOTAL	46	235

3.4 Sample Size and Sampling Procedure

This involves determination of the size of the sample as well as the procedure for sampling.

3.4.1 Sample Size

Saunders et al. (2014) defined sample as a subset of the target population. A sample can be used to derive inferences about the population if appropriate sample size and sampling techniques are used. A sample size is the number of units of observation that the researcher intends to collect information from. In this study, it is the number of top managers and the junior staff of Kirinyaga SACCOs that the researcher collected data on internal control systems against financial performance. Yamane (1967) formula was utilized to calculate the sample size. This formula is preferred since it is simple to use, it is scientific and can be used in cases of large populations. Based on Yamane (1967) formula, the study calculates the sample size of 148. The precision error used in the formula is 0.05.

$$n = N / \{1 + N(e^2)\} \dots \dots \dots (3.1)$$

Where:

n denotes the sample size

N denotes the target population (235)

e denotes the margin of error (0.05).

Applying values into formula specified in equation 3.1 the sample size will be:

$$n = \lceil \frac{235}{1 + 235(0.05^2)} \rceil \cong 148 \dots \dots \dots 3.2$$

3.4.2 Sampling procedure.

Sampling is a process or technique of choosing a subgroup from a population to participate in the study (Kothari 2004). It is the process of selecting a number of objects or individuals from a population such that the selected group is a representative of characteristics found in the entire group (Kombo, 2002). This study adopted stratified random sampling method. The population was classified into various strata, and then random sampling was carried out. Each item in the population stood an equal chance of being selected.

3.5 Research Instrument

Primary data was used for the purpose of this study. This was data collected by means of personally administered questionnaires. Each item on the questionnaire was developed to address specific objective of the study. The items on the questionnaire were structured. The structured questionnaire solicited information on control environment, risk assessment, control activities, information and communication and finally monitoring. The structured questionnaire are commonly used to obtain important information about the population when each item is developed in relation to a specific objective, research questions or hypothesis of the study (Mugenda and Mugenda, 2003). Majumdar (2005) noted that answers to many personal questions can be obtained much more freely through questionnaire than in a face-to-face situation with a stranger. Majumdar (2005) noted that self-administered questionnaires are preferred because, there is no interviewer biasness resulting from presenting the questions and recording the answers.

3.5.1 Pilot Testing of Research Instruments.

A pilot study is one of the key things in a good research design. A pilot study is vital step in a research and this applies to all types of research studies. The term of pilot study, however, is defined as a small-scale test of the methods and procedures to be used on a large scale. The importance of the pilot study lies in improving the effectiveness and efficiency of research. Pilot study results can inform on feasibility and identify modifications needed in the main

study. A pilot study can be used to expose some logistics issues in the research instrument before embarking the main study. There are also other reasons to conduct a pilot study, such as; checking the words and statements of the used scales, refining the scales items and developing scales items and research plan (Hazzi and Maldaon, 2015).

The main purpose of conducting a pilot study was to examine the feasibility of the intended approach the researcher was to use in the main study. (Hazzi and Maldaon, 2015). A pilot study was also valuable to identify unclear or ambiguous items in a questionnaire. The non-verbal behavior of participants in the pilot study gave important information about any embarrassment or discomfort experienced concerning the content or wording of items in a questionnaire. Respondent's reactions on the retest in a group format could be noted as well as their reactions on certain measurement situations during a group therapy process. Other advantages of pilot studies are that it can give advance warning about where the main research project can fail and it indicates where research protocols might not be followed. The pilot study also identified practical problems of the research procedure. It indicated whether proposed methods or instruments were inappropriate or too complicated. The pilot study also gave advance warning of possibilities where certain types of techniques or the study as a whole could fail. The pilot study was therefore of value for testing the feasibility of both research instruments and data collection instruments like questionnaires, interview schedules, or other testing instruments and also of the research process itself (Cooper and Schindler, 2014; Creswell, 2014).

According to Mugenda Mugenda 2003, 10% of the population is used for piloting. In this study 10% of target population was used for piloting, where the researcher watched respondents complete the questionnaire. The researcher was able to supervise as the questionnaire is being filled noting skipped questions and may also seek for verbal feedback. The researcher may also let the individuals read the question and then "parrot back" the question using different words. Read the questions for "testing" participants and observe their reaction. Questions should read keenly and should be easily understood. If the respondent appears confused or hesitant to answer, the researcher can find out why. This will work better if professional people are used.

3.5.2 Validity of Research Instruments

Validity is defined as the extent to which an instrument measures what it purports to measure (Saunders et al., 2014). Validity is the extent to which the interpretations of the results of a test are warranted, which depends on the intended use of the test. Validity evidence is built over time, with validations occurring in a variety of populations. Comprehensive literature reviews on measurement approaches are therefore critical in guiding the selection of measures and measurement instruments. There are three types of validity tests namely; content, construct and criterion (Cooper and Schindler, 2014).

This study tested content, criterion and construct validity of the research instrument by requesting professors and experts in the area of internal controls and performance to give their comments regarding the content, construct and criterion validity of the questionnaire. The study conducted validity test in order to ensure that the research instrument measures what it is supposed to measure. Creswell (2014) argued that, it is important to test for construct validity in order to ascertain how well scores on the new measure correlate with other measures of the same construct or very similar underlying constructs that theoretically should be related. (Creswell, 2014)

In establishing concurrent validity, scores on an instrument are correlated with scores on another (criterion) measure of the same construct or a highly related construct that is measured concurrently in the same subjects. Ideally, the criterion measure would be considered to be the gold standard measure of the construct. This strategy of determining the validity of a measure might be seen in a situation in which a new instrument has some advantage over the gold standard measure such as an increased ease of use or reduced time or expense of administration. These advantages would justify the time and effort involved in the development and validation of a new instrument (Saunders et al., 2014; Cooper and Schindler, 2014).

3.5.3 Reliability of Research Instruments

The process of developing and validating an instrument is in large part focused on reducing error in the measurement process. There are different means of estimating the reliability of any measure. Reliability estimates are used to evaluate the stability of measures administered at different times to the same individuals or using the same standard (test–retest reliability) or the equivalence of sets of items from the same test (internal consistency) or of different

observers scoring a behavior or event using the same instrument (interrater reliability). Stability of measurement, or test–retest reliability, is determined by administering a test at two different points in time to the same individuals and determining the correlation or strength of association of the two sets of scores. The timing of the second administration is critical when tests are administered repeatedly (Lucas and Donnellan, 2012; Meeker and Escobar, 2014). Reliability is determined by the correlation of the scores from two or more independent raters or the coefficient of agreement of the judgments of the raters. For categorical variables, Cohen’s “Kappa” is commonly used to determine the coefficient of agreement. Kappa is used when two raters or observers classify events or observations into categories based on rating criteria.

3.6 Data Collection Procedures

The researcher distributed the questionnaires to the selected respondents who filled the self-administered questionnaire and then collected them later. The respondents who filled the questionnaire involved personnel manager, finance manager and an operations manager in the selected SACCOs. However, where the respondent requested the researcher to fill on their behalf then the researcher conducted a guided interview based on the questionnaire. Secondary data was collected through reading the SACCOs cash management policies, risk mitigation policies, SACCOs strategic plans and through reading of management reports. The researcher made follow up calls to remind the respondents to fill the questionnaires. The researcher conducted the interview in a meeting with the branch managers.

3.7 Data Analysis Techniques

Data analysis refers to examining what has been collected in a survey and making deductions and inferences (Kombo, 2006). The data collected was analyzed using descriptive statistics by the assistance of SPSS {statistical package for social science} software which is used to analyze quantitative data. Descriptive statistics that were used for analysis includes percentage, frequencies and standard deviation. The data was presented in tabular graphical and numerical forms. The questionnaire were collected and analyzed; a code sheet was used to prepare and analyze the data. Data was analyzed both qualitatively and quantitatively.

3.8 Ethical Considerations

Consideration of ethical issues in research has long been a feature of research and most notable has its origins in the Nuremberg Code (1947), following the trials of the Nazi war criminals (Social Research Association, 2003). The Nuremberg Code provides such principles as properly formulated scientific experimentation, informed consent and absence of coercion and beneficence towards research participants. Although this first works majored on research ethics in medical practice, many of the principles have general application, for example, regard for human dignity, care for human and animal welfare, consideration of risk and informed consent of human subjects in research projects (Social Research Association, 2003). Many professional, statutory and regulatory and other bodies, such as Research Councils, have adopted either codes of practice or guidelines.

This study ensured that research ethics were upheld. The study ensured that the names of the respondents and their SACCOs were not made public hence protecting the rights of the respondents. The questionnaire was structured in such a way that the respondents were not required to provide their name or contacts. Additionally, during data collection, the research assistants ensured that any respondents who opted not to participate in the survey were not coerced. These guidelines are in agreement with global research ethics (Social Research Association, 2003)

3.9 Operationalization of the Variables

Objective	Variable	Indicators	Measurement Scale	Research Approach	Tools Of Analysis	Statistical Analysis
To determine how operational efficiency as an internal control system influence the performance of SACCOs	Operational efficiency	<ul style="list-style-type: none"> • Production cost per unit • Capital expenditure • Operational expenditure • Timeliness • Man-hours 	Ratio	Qualitative and quantitative	Regression	Parametric
To examine how operational effectiveness as an internal control system influence the performance of SACCOs	Operational effectiveness	<ul style="list-style-type: none"> • Utilization of resources • Implementation of processes • Achievement of mission and goals 	Ratio	Qualitative and quantitative	Regression	Parametric
To establish how reliable financial reporting as an internal control system influence the performance of SACCOs	Reliable financial reporting	<ul style="list-style-type: none"> • Feedback from users • Reporting periods 	Ordinal	Qualitative and quantitative		Non-parametric
To determine how compliance with laws as an internal control system influence the performance of SACCOs	Compliance with laws	<ul style="list-style-type: none"> • Tax compliance • Ability to meet deadlines • responsibility 	Ordinal	Qualitative		Non parametric
To establish the moderating influence of SACCO's regulations and policies on the relationship between internal control system and the performance	Regulation and policies	<ul style="list-style-type: none"> • Working environment • Resistance to change • Employee morale 	Ordinal	Qualitative		

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSIONS.

4.1 Introduction

This chapter presents the study findings which have been discussed based on thematic and sub-thematic areas drawn from the study objectives. The thematic areas includes; Demographic characteristics of the respondents, questionnaire return rate, operational efficiency and performance of SACCOs, operational effectiveness and performance of SACCOs, reliable financial reporting and performance of SACCOs, and compliance with laws and performance of SACCOs.

4.2 Questionnaire Return Rate.

Table 4.1: Questionnaire Return Rate

Instruments	Frequency	Percentage	Valid percentage	Cumulative
Questionnaires issued	148	94.5	94.5	94.5
Questionnaires returned	140	94.5	94.5	94.5
Total	140		100	100

It is evident from Table 4.1 that out of the 148 sample respondents from the Sacco's 140 were reached. This represent 94.5% response rate which validates the instruments and methods of data collection. According to Mugenda and Mugenda (2003), if the return rate is above 50% the study is supposed to proceed. The questionnaire return rate was good and supported the conclusion and recommendation of the study.

4.3 Demographic Characteristics of the Respondents.

The study was interested in understanding the demographics of the respondents in terms of age, gender, academic qualifications and length of service. This information was important so as to determine gender balance as well as the experience of the respondents. The findings are presented in table 4.2

Table 4.2 Demographic characteristics

Variables	Frequency(f)	Percent(%)	Cumulative frequency(cf)%
Age bracket			
18-35 yrs	92	65.7	65.7
36 and above	48	34.3	100
Total	140	100.0	
Gender			
Male	64	45.7	45.7
Female	76	54.3	100.0
Total	140	100.0	
Length of service			
0 – 3 yrs	28	20.0	20.0
4 – 6 yrs	44	31.4	51.4
7 - 9 yrs	41	29.3	80.7
10 yrs and above	27	19.3	100
Total	140	100	
Highest academic qualification			
Certificate	25	17.9	17.9
Diploma	58	41.4	59.3
Degree	33	23.6	82.9
Post graduate	14	10.0	92.9
Any other	10	7.1	100
Total	140	100	

It emerged from Table 4.2 that, out of the 140 respondents who participated in the study, 64(45.7.4%) of the respondents were female and 76 (54.3%) of the respondents reached were male. This means that majority of the respondents were female meaning that female occupies most managerial positions in the Sacco's.

It is also evident from the table that 28 (20%) of the staffs have worked in the Sacco for between 1-3 years, 44(31.4%) for between 4-6 years, 41(29.3%) for between 7-9 years and 27(19.3%) have worked for ten years and above. From the study results majority of workers have over 7 years working experience. This means the experience enables understanding the effects of internal control system on performance.

The table also indicates the level of education of respondents. 58(41.4%) hold diploma, 33(23.6%) held university degree with managerial skills, 25(17.9%) were certificate holders, 14(10%) had post graduate majority with masters degree in business related qualification and 10(7.1%) held technical courses majority with certified public accountants. This means majority of the respondents had the skills required to understand the questionnaire and role of internal control system and its influence on Sacco performance.

4.4 Operational Efficiency and Financial Performance of SACCOs

One of the objectives the study sought to establish was how operational efficiency influence financial performance of SACCOs. The respondents were asked to give their opinion on their level of agreement or disagreement using a likert scale of 1-5 where; 1= Strongly disagree, 2=Disagree, 3=Neutral, 4=Agree and 5= Strongly agree. The results are presented in table 4.3.

Table 4.3: Operational Efficiency and Financial Performance of SACCOs

Statements	1	2	3	4	5	M	SD
Operational efficiency helps the SACCO to reduce unit production cost.	7 5%	13 9.3%	41 29.3%	38 27.1%	41 29.3%	28	15
Operational efficiency helps the SACCO in increasing hours worked.	11 7.9%	6 4.3%	32 22.9%	23 16.4%	68 48.6%	28	22
Operational efficiency helps the SACCO to control expenditure.	9 6.4%	4 2.9%	35 25%	38 27.1%	54 38.6%	28	19
Operational efficiency helps the SACCOs to meet timelines	2 1.4%	22 15.7%	41 29.3%	34 24.3%	41 29.3%	28	14.7

It is evident from table 4.3 that out of the 140 respondents that participated in the study, 79(56.4%) of the respondents agreed that operational efficiency helps the SACCO to reduce unit production cost, 91(65%) agreed that operational efficiency helps the SACCO in increasing hours worked, while 92(65.7%) agreed that operational efficiency helps the SACCO to control expenditure. Those that agreed that operational efficiency helps the SACCO to meet timelines were 75(53.6%). This therefore reveals that efficiency in operations improves the financial performance of the SACCOs.

4.5 Operational Effectiveness and Financial Performance of SACCOs

The second objective of the study sought to examine how operational effectiveness influence financial performance of SACCOs. The respondents were asked to give their opinion on their level of agreement or disagreement using a likert scale of 1-5, where; 1= Strongly disagree, 2=Disagree, 3=Neutral, 4=Agree and 5= Strongly agree. The results are presented in table 4.4

Table 4.4: Operational Effectiveness and Financial Performance of SACCOs

Response	1	2	3	4	5	M	SD
Operational effectiveness enables efficient utilization of resources of the SACCOs	29	47	18	36	10	28	13
	20.7%	33.6%	12.9%	25.7%	7.1%		
Implementation of SACCO's processes results to operational effectiveness	51	35	14	16	24	28	13.7
	36.4%	25%	10%	11.4%	17.1%		
Achievement of SACCO's mission improves operational effectiveness	17	47	64	4	8	28	25
	12.1%	33.6%	45.7%	2.9%	5.7%		
Achievement of SACCO goals improves operational effectiveness	58	18	49	3	12	28	21.5
	41.4%	12.9%	35%	2.1%	8.6%		

It emerged from Table 4.4 that out of the 140 respondents that participated in the study, 76(54.3%) of the respondent disagree that operational effectiveness enable efficient utilization of SACCO resources. Majority, 86(61.4%), also disagree that implementation of SACCO's processes results to operational effectiveness. 64(45.7%) of the participants disagree that achievement of SACCO's mission improves operational effectiveness. This therefore reveals that operational effectiveness do not have a great impact on Sacco performance.

4.6 Reliable Financial Reporting and Financial Performance of SACCOs

The third objective of the study sought to establish how reliable financial reporting influence financial performance of SACCOs. The respondents were asked to give their opinion on their level of agreement or disagreement using a likert scale of 1-5, where; 1= Strongly disagree, 2=Disagree, 3=Neutral, 4=Agree and 5= Strongly agree. The results are presented in table 4.5

Table 4.5 Reliable Financial Reporting and Financial Performance of SACCOs.

Response	1	2	3	4	5	M	SD
The feedback from members is accurate	15 10.7%	30 21.4%	19 13.6%	56 40%	20 14.3%	28	15
The ability of the Sacco's to conduct effective evaluation and control improve its performance	16 11.4%	41 29.3%	19 13.6%	50 35.7%	14 10%	28	15
Accurate allocation of Sacco's resources improves their performance	29 20.7%	49 35%	21 15%	20 14.3%	21 15%	28	11
Efficient accountability of the SACCOs improves their performance	14 10%	14 10%	21 15%	62 44.3%	29 20.7%	28	18

It emerges from table 4.5 that out of the 140 participants, 76(54.3%) of respondents agree that feedback gotten from members is accurate. 64(45.7%) agree that ability of SACCO to conduct effective evaluation and control improves its performance. Although 78(55.7%) of the respondents disagree with the fact that accurate allocation of SACCO resources improves financial performance, 91(65%) agree that efficient accountability improves SACCO performance. It is therefore established that reliable financial reporting influence the financial performance of SACCOs.

4.7 Compliance With Laws and Financial Performance of SACCOs

The fourth objective of the study sought to determine how compliance with laws influence financial performance of SACCOs. The respondents were asked to give their opinion on their level of agreement or disagreement using a likert scale of 1-5, where; 1= Strongly disagree, 2=Disagree, 3=Neutral, 4=Agree and 5= Strongly agree. The results are presented in table 4.6

Table 4.6 Compliance with Laws and Financial Performance of SACCOs

Compliance	1	2	3	4	5	M	SD
Compliance with laws helps the SACCOs fill tax returns and hence avoid penalties.	18 12.9%	24 17.1%	17 12.1%	67 47.9%	14 10%	28	20
Adherence to government regulation enable the SACCOs to meet the laid down deadlines.	6 4.3%	11 7.9%	18 12.9%	19 13.6%	86 61.4%	28	29
Following SASRA regulations improves financial performance of SACCOs.	18 12.9%	28 20%	76 54.3%	11 7.9%	7 5.0%	28	25
Being conversant with relevant laws create a conducive working environment for the SACCOs	18 11.4%	32 22.9%	20 14.3%	23 16.4%	47 35%	28	10.6

It emerged from table 4.6 that out of 140 respondents that participated in the study, 81(57.9%) of the respondents agree that compliance with laws helps the SACCOs file tax returns and hence avoid penalties. Majority of the respondents, 105(75%) agree that adherence to government regulations enable the SACCOs to meet the laid down deadlines. However, 46(32.9%) disagreed with the fact that following SASRA regulations improves financial performance of SACCOs, but majority, 70(50%) agree with the fact that being conversant with relevant laws create a conducive working environment. The study therefore revealed that adherence to laws and regulations leads to improved SACCO performance. The SACCOs thus has the responsibility to follow government rules and regulations.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This research objective was to investigate on the role of internal control towards achievement of SACCO in Kirinyaga County. The study explored the specific objective of impact toward SACCO performance. This chapter gives insight into the major findings, conclusion and recommendations made.

5.2 Summary of findings

The study had a sample size of 148 employees of the SACCO and 140 were reached representing 94.5%. The response rate of 94.5% is good and validate the data collection instruments and the process of data collection. This means the data collected was sufficient to support the findings conclusion and recommendation of the study. The study found out that majority of the employees is female represented by 54.3%. The study also revealed that majority of the workers have worked for over 7 years in the SACCOS. This means that the participants possess adequate skills and experience to comprehend influence of internal control on performance of these institutions. The study on academic qualification found out that 82.1% of the respondent hold a diploma and above.

5.2.1 Operation Efficiency and Financial Performance of SACCOs

From the analysis the study found out that majority of the respondent represented by 56.4% agreed that reduction in unit production improves the performance of the SACCO. Increase in man hours worked had a positive impact on the performance of the SACCO represented by 65%. The study further found out that control of operation expenditure positively affect Sacco's performance represented by 65.7%. The study on meeting timeliness found that it had a moderate effect represented by 53.6%.

5.2.2 Operation Effectiveness and Financial Performance of the SACCO

Effectiveness according to Whirrington (2010) is the capacity to produce the desired results. The study found out that efficiency in utilization of SACCOs' resources do not have a great impact on their performance represented by 54.3%. The respondent further disagreed with the concept that implementation of Sacco process positively influence the Sacco's performance

represented by 61.4%. Achievement of the SACCO's mission doesn't have a strong relationship with SACCO's performance rated at 45.7%.

5.2.3 Reliable Financial Reporting and Financial Performance of the SACCO

Financial report including balance sheet, trading profit and loss accounts enable institutions to make important decision positively influencing performance of SACCOs. The study found out that feedback from members has an impact on Sacco performance represented by 54.3%. The ability of Sacco to evaluate its activities is rated highly in influencing the performance of the Sacco rated at 45.7%. Accurate allocation of Sacco resources do not impact on SACCO performance rated at 55.7%. Efficient accountability according to the study finding improves Sacco performance rated at 65%.

5.2.4 Compliance With Law and Financial Performance of the SACCO

It is desirable to comply with laws, policies and regulations. The study, represented by 75%, established that adherence to government regulations enable the SACCO to meet the laid down deadlines. 50% of the participants revealed that being conversant with relevant laws create a conducive working environment. Therefore, following of rules and regulations leads to improved performance of SACCOs.

5.3 Conclusions

From the study analysis and findings, the following conclusions were reached. The study concludes that there was a positive relationship between operational efficiency and performance of the Sacco. Reduction in unit production cost, increase in hours worked and control of operational expenditure positively influence performance while meeting timelines had a moderate effect. Efficiency in operation improves output of the Sacco, lead to improved customer care resulting to customer royalty.

The study concludes that effectiveness is not only a measure of performance but a measure of accomplishment of the outcomes of the Sacco. Efficiency in utilization of Sacco resources, effective implementation of Sacco processes achievement of Sacco mission and accomplishment of the goals of the Sacco has a strong positive correlation with Sacco performance.

It was established that reliable financial reporting influence the financial performance of SACCOs. Financial reports including balance sheet, trading profit and loss accounts enable institutions to make important decisions positively influencing performance of SACCOs.

The study established that adherence to government regulations enable the SACCO to meet the laid down deadlines thus avoiding penalties. It was also revealed that being conversant with relevant laws create a conducive working environment. Therefore, it can be generally concluded that following of rules and regulations leads to improved performance of SACCOs.

5.4 Recommendations

From the findings conclusion and discussions the following recommendations are made;

1. The SACCOs should draw training programmes to enlighten employees more on operational efficiency.
2. The SACCO management ought to hold regular meetings with stakeholders to discuss issues related to effectiveness as a tool of internal control.
3. The study recommends that the board members and managers to jointly be trained on reliable financial reporting.
4. The SACCO management and staff should continue adhering to the laws regulating SACCOs to ensure compliance.
5. To formulate policies with the SACCO regulatory framework.

5.5 Areas for further research.

The researcher recommends the following areas for further research;

- 1) The same research but to include more counties for comparative analysis.
- 2) An analysis of the effect of supervision on performance of the SACCOs
- 3) Challenges of improving SACCO performance in Kirinyaga County.
- 4) An analysis on the relationship between efficiency and SACCO performance.

\

REFERENCES

- Aassmund et.al (2010) Auditing and assurance services
- Bishop, W. G., III. (1991). "Internal Control—What's That?" *Internal Auditor*
- Aidis, R. (2005). *Entrepreneurship in Transition Countries: A Review* (No. 61). Centre For The Study Of Economic And Social Change In Europe, School of Slavonic and East European Studies, University College London (SSEES, UCL).
- Al-Jammal, H. R., Al-Khasawneh, A. L., &Hamadat, M. H. (2015). The impact of the delegation of authority on employees' performance at great Irbid municipality: case study. *International Journal of Human Resource Studies*, 5(3), 48-69.
- Anastasiadou, S. D. (2011). Reliability and Validity Testing of a New Scale for Measuring Attitudes toward Learning Statistics with Technology. *ActaDidactica Napocensia*, 4(1), 1-10.
- Arokiasamy, A. R. A. (2013). Literature Review on Workforce Diversity, Employee Performance and Organizational Goals: A Concept Paper. *Researchers World*, 4(4), 58.
- Atambo, W. N., &Momanyi, D. K. (2016). Effects of Internal Communication on Employee Performance: A Case Study of Kenya Power and Lighting Company, South Nyanza Region, Kenya. *Imperial Journal of Interdisciplinary Research*, 2(5).
- Celik, A., Cakici, A. B., &Celik, N. (2014). The Effects of Employee Empowerment Applications on Organizational Creativity and Innovativeness in Enterprises: The Case of Oiz. *European Scientific Journal*, 10(10).
- Cho, T., & Yoon, S. (2009). Human Resource Management, Individualism-Collectivism, and Individual Performance among Public Employees: A Test of the Main and Moderating Effects.
- Chou, H. W., Jiang, J., & Wang, E. (2004). Charismatic Leadership Style, Intragroup Conflict, and ERP Implementation Team Performance. *PACIS 2004 Proceedings*, 27.
- Conger, J. A. (1991). Inspiring others: The language of leadership. *The executive*, 5(1), 31-45.
- Cooper, D. R., & Schindler, P. S. (2014). *Business research methods (12th Ed)*. New York: McGraw-Hill/Irwin.
- Creswell, J. (2014). *Research design: Qualitative, quantitative, and mixed methods approaches*. Thousand Oaks: SAGE.

- Crocker, L., & Algina, J. (1986). *Introduction to classical and modern test theory*. Toronto: Holt, Rinehart, and Winston, Inc.
- Datche, E. A. (2015). *Influence of transformational leadership on organizational performance of state corporations in Kenya*. (PhD Thesis, Jomo Kenyatta University of Agriculture and Technology, Nairobi, Kenya).
- Deal, T. E., & Kennedy, A. A. (2000). *Corporate cultures: The rites and rituals of corporate life*. Cambridge, MA: Perseus Books Publishing.
- Delarue, A., Van Hootegem, G., Procter, S., & Burrige, M. (2008). Team working and organizational performance: a review of survey-based research. *International Journal of Management Reviews*, 10(2), 127-148.
- Drucker, P. F. (2007). *Management: Tasks, responsibilities, practices*. New Brunswick
- Ehimare, O. A., & Ogaga-Oghene, J. O. (2011). The impact of workforce diversity on organizational effectiveness: a study of a Nigerian bank. *Annals of the University of Petrosani, Economics*, 11(3), 93-110.
- Femi, A. F. (2014). The Impact of Communication on Workers' Performance in Selected Organisations in Lagos State, Nigeria. *IOSR Journal of Humanities and Social Science (IOSR-JHSS)*, 19(8), 75-82.
- Gichohi, P. M. (2014). The Role of Employee Engagement in Revitalizing Creativity and Innovation at the Workplace: A Survey of Selected Libraries in Meru County-Kenya. *Library Philosophy and Practice (e-journal)*, 1171.
- Giri, V. N., & Kumar, B. P. (2010). Assessing the impact of organizational communication on job satisfaction and job performance. *Psychological Studies*, 55(2), 137-143.
- Goris, J. R., Vaught, B. C., & Pettit, J. D. (2000). Effects of communication direction on job performance and satisfaction: A moderated regression analysis. *Journal of Business Communication*, 37(4), 348-368.
- Greguras, G. J., & Diefendorff, J. M. (2009). Different fits satisfy different needs: linking person-environment fit to employee commitment and performance using self-determination theory. *Journal of Applied Psychology*, 94(2), 465.
- Gundlach, M., Zivnuska, S., & Stoner, J. (2006). Understanding the relationship between individualism-collectivism and team performance through an integration of social identity theory and the social relations model. *Human Relations*, 59(12), 1603-1632.
- Hatch, M. J., & Cunliffe, A. L. (2006). *Organization Theory (2nd Ed.)*. Oxford University Press, Oxford.

- Inyang, B. J. (2006). *Management Theory: Principles and Practice*. Calabar: Merb Publishers.
- Irawanto, D. W. (2015). Employee participation in decision making: Evidence from state owned enterprise in Indonesia. *Management: Journal of Contemporary Management Issues*, 20(1), 159-172.
- Stowers, K. (2013). *Stress and performance in uncertainty-avoiding individuals: an introductory literature review* (Doctoral dissertation, University of Central Florida Orlando, Florida).
- Wagner, J. A., Humphrey, S. E., Meyer, C. J., & Hollenbeck, J. R. (2012). Individualism–collectivism and team member performance: Another look. *Journal of Organizational Behavior*, 33(7), 946-963.
- Aassmund et.al (2010) Auditing and assurance services
- Bishop, W. G., III. (1991). "Internal Control—What's That?" Internal Auditor
- David N Richiute (2003) Auditing and assurance services
- Gichure C.W (1997). Basic concept in ethics. Nairobi: Focus publishers limited.
- Hartman, L.P (2002). Perspective in business ethics. Newyork: McGraw-hillIrwin Publishers.
- Kothari C.R (2005). Research and methodology: Methods and techniques
- Wren, Daniel A. (2005). *The History of Management Thought*, p. 260, John Wiley.

APPENDICES

Appendix 1: Research Questionnaire for the respondents

This questionnaire was designed to collect data on the influence of internal control systems on financial performance of SACCO in Kirinyaga County. The data is used for academic purposes only and is to be treated with utmost confidentiality. The findings of the study are expected to be useful to the policy planners in their effort to improve the internal control systems..

PART A: General Information

1. Gender

Male

Female

2. Your Age

18-35 years

36 years and above

3. Length of service

0 – 3 years

3 – 6 years

6 – 9 years

Over 9 years

4. Your highest academic qualification

a) Certificate

b) Diploma

c) Degree

d) Post graduate

Part A: Operation Efficiency and Performance of SACCOs

Describe the extent to which the following factors related to operational efficiency affect Sacco's performance in Kirinyaga County

Use the 5 point scale where.

5. Strongly agree.

4. Agree

3. Neutral

2. Disagree

1. Strongly disagree

Statements	1	2	3	4	5
Operational efficiency helps the sacco to reduce unit production cost.					
Operational efficiency helps the SACCO in increasing hours worked.					
Operational efficiency helps SACCO to control expenditure.					
Operational efficiency helps SACCOs to meet timelines					

Part B: Operational Effectiveness and Performance of SACCOs.

The following factors are related to Operational Effectiveness and Performance of SACCOs in Kirinyaga County

Use the 5 point scale to respond to the questions below

- 5. Strongly agree
- 4. Agree
- 3. Neutral
- 2. Strongly disagree
- 1. Disagree

Response	1	2	3	4	5
Operational effectiveness enables efficient utilization of resources of the SACCOs					
Implementation of SACCO's processes results to operational effectiveness					
Achievement of SACCO's mission improves operational effectiveness					
Achievement of SACCO goals improves operational effectiveness					

Part C: Reliable Financial Reporting and Financial Performance of SACCOs.

To what extent would you agree with the following factors related to Reliable Financial Reporting affect Sacco’s performance in Kirinyaga County?

Degree of effects Key:

- 5. Strongly agree
- 4. Agree
- 3. Neutral
- 2. Strongly disagree
- 1. Disagree

Response	1	2	3	4	5
The feedback from members is accurate					
The ability of the Sacco’s to conduct effective evaluation and control improve its performance					
Accurate allocation of Sacco’s resources improves their performance					
Efficient accountability of the SACCOs improves their performance					

Part D: Compliance with Laws and Financial Performance of SACCOs.

The following factors are related Compliance with Laws and Financial Performance of SACCOs Kirinyaga county

Use the 5 point scale to respond to the questions below

- 5. Strongly agree
- 4. Agree
- 3. Neutral
- 2. Strongly disagree
- 1. Disagree

Statements	1	2	3	4	5
Compliance with laws helps the SACCOs fill tax returns and hence avoid penalties.					
Adherence to government regulation enable the SACCOs to meet the laid down deadlines.					
Following SASRA regulations improves financial performance of SACCOs.					
Being conversant with relevant laws create a conducive working environment for the SACCOs					

Appendix 2: Map of Kirinyaga County

