

**EFFECTS OF INTERNAL CONTROL ON FINANCIAL PERFORMANCE OF
SACCOS: A SURVEY OF SACCOS IN NAKURU COUNTY, KENYA.**

RUTH MWANGO MARITA

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DECLARATION AND RECCOMENDATIONS

This research report is my original work and has not been presented to any other institution of learning for the award of an academic certificate.

Signature:..... **DATE**.....

Ruth Marita

GMB-NE-0239-01-11

RECCOMENDATION

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

Signature: **DATE**

Dr Symon Kiprop

Department of Economics - Egerton University

Signature:..... **DATE**.....

Prof. Clifford Machogu

Department of Accounting, Finance and Economics - University of Kabianga

DEDICATION

I dedicate this research report to my parents Bishop and Reverend Marita, who stood by me and gave me support. Last but not least to God almighty who gave me the ability and grace to do this work to the best of my ability; from its inception to its conclusion.

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I would like to thank the Almighty God for enabling me to come this far in my education. This research report would not have succeeded without the following people and their endless support and co-operation. Hence I extend my warm gratitude to them all. I would like to acknowledge my research supervisors Dr. Kiprop and Prof. Machogu for guiding me all through the writing process. I wish to show my gratitude to my parents and my siblings for being a support I could lean on every time I needed to.

ABSTRACT

Internal control plays an important role in preventing and detecting fraud and protecting the organization's resources, both physical and intangible but fraud is still reported. At the organizational level, internal control objectives relate to the reliability of financial reporting, timely feedback on the achievement of operational or strategic goals, and compliance with laws and regulations. Internal control systems provide guidance for management regarding its evaluation and assessment of internal control over financial reporting. The main objective of the study was to determine the effects of internal controls on financial performance of Saccos focusing on Saccos in Nakuru County. Specifically, the study sought to establish how; control environment, control activities, risk assessment, information and communications and monitoring activities affected the financial performance in Saccos in the area. The study employed the survey research design targeting overall managers, the finance managers and employees in the finance departments of the Saccos. Simple random technique was used during the study to select 276 respondents. Questionnaires were used for the data collection. Data collected was analyzed using both descriptive and inferential statistics with the help of Statistical Package for Social Sciences (SPSS) version 22. The findings revealed that the control environment significantly affected the financial performance of Saccos ($\beta = 0.527$), control activities also positively affected the financial performance of Saccos in the area ($\beta = 0.407$). However, risk assessment was found to moderately ($\beta = 0.295$) affect the financial performance of the Saccos. The findings also revealed that both information and communication ($\beta = 0.585$) and monitoring activities ($\beta = 0.669$) had the strongest effects on the financial performance of Saccos in the area. Thus, the study brings into limelight the ingredients required for a successful internal control to take place. It can be concluded that the Saccos in Nakuru County generally had functional internal controls in place and these positively affected their financial performance. It is recommended that the Sacco managements properly assign authority and responsibility to qualified individuals; they should also diligently comply with the recommendations of the internal audit report; there is need to avail more risk assessment training to the staff and also equip them with scientific tools to carry out this task. It is also recommended that the Saccos management make themselves more readily available to their staffs since some problems and other emerging issues can be best solved through one-on-one communications. Also during monitoring, all redundant procedures and practices should be often replaced to ensure efficiency.

Key words: *Internal control, Financial performance, Sacco,*

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LIST OF ABBREVIATIONS

IT	:	Information Technology
ICA	:	International Co-operative Alliances
MDGs	:	Millennium Development Goal
SASRA	:	Sacco Societies Regulatory Authority
SACCOs	:	Savings and Credit Co-operatives
WOCCU	:	World Council of Credit Union

CHAPTER ONE

INTRODUCTION

1.1 Introduction

This chapter presents the background to the study, history of the Saccos in Kenya, an overview of the internal controls in Saccos, a statement of the problem, general and specific objectives of the study, research questions, and significance of the study, scope of the study and limitations of the study.

1.1.1 Background to the Study

According to ministry of Co-operative and marketing records (2013), Saccos had controlled 67% of the total assets and 62% of the total deposits in the entire Country. “About 63% of Kenyans directly and indirectly depend on co-operative related activities for their livelihood.” There are numerous Saccos providing financial access to financially excluded residents of Nakuru, the same records intimates. Though this contribution is notable, the records report state that, fraud is one major challenge facing this rapid growing sector.

Awe (2005), states that internal control put in place and enforced is key to combating the loss of revenue and assets caused by frauds. Internal control is looked upon more and more as a solution to a variety of potential problems Coso (2004). Coso adds that internal controls are put in place to keep organization on course towards profitability goals and achievement of its missions and to minimize surprises along the way. They promote efficiency, reduce risk of asset loss and help to ensure reliability of financial statements and compliance with laws and regulations. According to Musa (2008), internal control is a system that comprises control environment and control procedures. it includes all the policies and procedures adopted by the directors and management of an entity to assist in achieving their objectives. He also suggests that a good internal control system ensures that functions/duties are properly defined and that duties are properly assigned to qualified staff and that there is an inbuilt control in the system to ensure feedback, detection and correction of errors in good time. It is the overall good of any organization to ensure its continued existence and growth.

According to Mohamed (2007), the entire system of internal audit and internal check, which is geared towards the attainment of the organizations goal, is called internal control. It is also a general belief that properly instituted systems of internal control

improve the reporting process and also give rise to reliable reports which enhances the accountability function of management of a Sacco. Available literature still allude/point out that in spite of elaborate system of controls in organizations, financial performance has been elusive in most of these organizations.

In this study, internal control systems are construed to mean a process effected by the entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the categories; reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

1.1.2 History of Saccos

According to International Co-operative Alliance (ICA) (1995) cooperatives are member-owned businesses. The simplest way to understand them is that they aggregate the market power of people who on their own could achieve little or nothing, and in so doing they provide ways out of poverty and powerlessness. The representative body for cooperatives, the International Cooperative Alliance (ICA), defines a cooperative as: An autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations, through a jointly owned and democratically controlled enterprise. A cooperative may also be defined as a business owned and controlled equally by the people who use its services or by the people who work there.

Various aspects regarding cooperative enterprise are the focus of study in the field of cooperative economics. This definition and the ICA set out seven cooperative principles: voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; cooperation among cooperatives; and concern for community. The first four of these are core principles without which a cooperative would lose its identity; they guarantee the conditions under which members own, control and benefit from the business ICA,(2011). Merret & Walzer, (2001) intimate that as the world today faces unstable financial systems, increased insecurity of food supply, growing inequality worldwide, rapid climate change and increased environmental degradation, it is increasingly compelling to consider the model of economic enterprise that cooperatives offer. The cooperative sector, especially in developing countries, also

presents itself as an important element that can contribute to the realization of the Millennium Development Goals (MDGs) by 2015.

1.1.3 Co-operative Movement in Kenya

According to Ouma (1980), the first Kenya's Co-operative Society, Lumbwa Co-operative Society, was formed in 1908 by the European Farmers with the main objective of purchasing fertilizer, chemicals, seeds and other farm inputs and then market their produce to take advantage of economies of scale. In 1930, Kenya Farmers Association was registered as a Co-operative Society to take over the role of supply of farm inputs played by Lumbwa Co-operative Society. The African smallholder farmers fought for formation of their own Cooperatives and later in 1950's they were allowed to promote and register Co-operatives for cash crops like coffee and pyrethrum. Consequently at independence in 1963, there were 1,030 Co-operative Societies with 655 being active with a total membership of 355,000. The Sacco sub-sector in this country has witnessed rapid growth in the last few years. The Saccos have played a great role in mobilization of financial resources and will be a major player in the realization of Kenya's Vision 2030.

Currently, according to Kimani (2011), the savings mobilization by Saccos represents 31 percent of the national savings. This means, therefore, that the Sacco sub-sector occupies a commanding position in the Socio-economic development of this country, the same author suggests. Kimani further points out that it is in this regard that Kenyan Co-operative sector was rated as the best model with the highest resource mobilization in Africa and seventh in the world by the International Co-operative Alliance (ICA). Kenya has the largest concentration of co-operatives which represent 67 percent of all the societies in Africa. The Co-operative Movement controls a big proportion of this country's economy with about 20 million Kenyans directly and indirectly drawing their source of livelihood from co-operative activities (Kimani, 2011).

Co-operatives, according to ICA, contribute about 45 percent of the National Gross Domestic Product (GDP). They have created employment directly and indirectly to over 250, 000 Kenyans. Hence, contributing to the government's efforts in economic recovery and wealth creation. The United Nations recognize the co-operative business

model as a major factor in realizing economic and social development in the world (ICA 2011).

1.2 Statement of the Problem

Many organizations including Saccos face problems and difficulties in setting internal control as the system requires competent human resource which will in turn require more costs in form of compensation, Merioth (2007) points out. The Internal control system is expected to enhance efficiency by reducing risks of monetary loss. However, fraud is still reported although organizations have invested in internal controls, Ministry of co-operative development and Marketing, (2013). The current challenges facing the Sacco sub-sector in Nakuru County are similar to those of the cooperative movement which include weak governance, low uptake of information technology, low level of professional skills development in management in both senior and junior staff and strong competition from the mainstream commercial banks (Beneish, Billings, & Hoddler, 2008). Additionally, the effect of internal control on organizational financial performance is not clear especially on Saccos in Nakuru Country. This was therefore an attempt to establish the effect of internal control on performance of Saccos in Nakuru County. Kimani (2011), points out that at least 4 Saccos face liquidation every year. This makes one question how effective the internal control is.

1.3 Objectives of the Study

1.3.1 General Objective

The general objective of the study was to determine the effect of internal control on financial performance with reference to Saccos in Nakuru County.

1.3.2 Specific Objectives

The specific objectives of this study were:

- (i) To determine how control environment affects the financial performance of Saccos.
- (ii) To determine how control activities affect the financial performance of Saccos.
- (iii) To determine how risk assessment affects the financial performance of Saccos.
- (iv) To determine how information and communication affects the financial performance of Saccos.

- (v) To determine how monitoring activities have affected the financial performance of Saccos.

1.4 Research Questions

- (i) How has the control environment affected the financial performance of the Saccos?
- (ii) How have control activities affected the financial performance of the Saccos?
- (iii) How has risk assessment affected the financial performance of the Saccos?
- (iv) How has information and communication affected the financial performance of the Saccos?
- (v) How have monitoring activities affected the financial performance of the Saccos?

1.5 Significance of the Study

This study generates results that might be useful to the national government through the ministry of co-operatives in developing policies to help optimize Saccos profitability and functionality. In addition it is hoped that Nakuru County government will use the results of this study to develop policies and strategies that will guide the planning for Saccos within the Nakuru County.

Non-governmental organizations and development partners dealing with poverty eradication may also find the report useful.

The Saccos will benefit by seeing the importance of having internal controls put in place efficiently and effectively. Those who have strong internal controls will be encouraged to keep it. Those with weaker systems or no internal controls systems will understand why they should strengthen their internal control systems or put some these systems in place.

1.6 Scope and Limitations of the Study

1.6.1 Scope of the Study

This study focused on how internal control, affects the financial performance of Saccos in Nakuru County.

It was limited to effects of internal control on financial performance of Saccos in Nakuru County. In the study the five elements of internal control are used to represent

internal control. These are control environment, control activities, risk assessment, information and communication and last but not least monitoring activities. The list of Saccos in Nakuru County has been attached at the back of this research project.

1.6.2 Limitations and Delimitations of the study

While conducting this study, the researcher was faced with the following limitations:- The study was limited to the effect of internal control on the financial performance of Saccos ; a survey of Saccos in Nakuru county and for the period between June 2015-Oct 2015.

There was a challenge of selecting as many employees as possible who are well versed with the information on the effect of internal control on financial performance with reference to Saccos in Nakuru County. This included the respondents' ability to easily comprehend the questions and answer correctly as expected.

Another limitation was, uncooperative and unfriendly respondents, but this was addressed by motivating the respondents by explaining to them the benefits of this study to the Saccos and by following up on the questionnaires.

Some Saccos had to get approval from their head office, this increased the cost as we had to visit that same area again after they get approval from the head office.

Lastly, though some Saccos are in the list from the county offices, on the ground they are nonexistent.

1.7 Assumptions of the Study

The study assumed that the individuals who will form the target population and sample size will be willing to provide factual information.

1.8 Definition of Operational Terms

Control activities

These are the policies and procedures implemented by an organization to ensure that managements' directives are carried out. These activities are often grouped into the three categories of objectives to which they relate namely operations, financial reporting and compliance (Shelton & Whittington, 2008). These activities are as diverse as approvals, authorizations, verifications, reconciliations, security of assets and segregation of duties (Glenn & Rao, 2009).

Control Environment

Is an element of internal control. It is the philosophy and management style, organizational structure, methods of imposing control and tone of an organization (the way it operates). It concerns the establishment of an atmosphere in which people can conduct their activities (Jones, 2008).

Information and communication

This is another component of internal control. Information and communication refers to the systems put in place by an organization to identify, capture, process and report relevant and reliable information in a timely manner so that people carry out their responsibilities effectively (Gaskill, 2000).

Internal control

A process effected by an organization's structure, work and authority flows, people and management information systems, designed to help the organization accomplish specific goals or objectives. It is a means by which an organization's resources are directed, monitored, and measured (APB, 1995a).

Monitoring

This is another internal control element. Monitoring refers to the process of assessing the quality of a system's performance over time. It assess the effectiveness of the internal control system in achieving the entity's objectives. It seeks to ensure that systems are performing as intended.

Risk assessment

This too is another internal control component. Risk assessment is a process used by an organization to decide how to deal with the risks that pose a threat to the achievement of the organization's objectives (Farrugia, 2002).

Savings and Credit Co-operative

A co-operative society whose main aim is to mobilize savings and then loan them to individual members as loans for specific developmental projects at affordable rates of interest (International Co-operative Alliance, 1995).

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides a critical review of related literature on the study variables, definition and understanding of internal controls, Internal Control Systems, earlier studies on internal control elements, common weaknesses of internal control systems, determinants of internal control strength and components of an internal control system, it also discusses a link between the variables of this study.

2.2 Theoretical Review

Internal Control theories have been stated by various authors as follows:

2.2.1 Control Theory

According to Wanda (2004) control theory is involving the separation of authorization, custody, and accounting. The reason this approach result in control over the concession stand is that no one of these individuals could cause a loss to the concession stand without being either prevented from doing so or being detected after causing the loss.

2.2.2 Theory of Audit of Internal Control

Accounting to China Papers (2013) this theory attempts to identify the problems that exist in audit of internal control in many companies and tries to put forward a series of suggestions to improve companies' audit of internal control with study from American experience. This is because of the financial fraud that floods the capital market all over the world; which seriously impacts the order of capital market and conflicts the confidence of investors. The society has given a great deal of attention to the distortion of financial information as this results to financial fraud states the same author.

2.2.3 Reliability Theory

According to Stratton (1994), the most likely users of the reliability model are the external auditor and management. During the external audit evidence is gathered to support a professional opinion. The main aim of this theory is to control risk.

2.2.4 Contingency Theory

Annuka, (2010) states that in order to ensure the efficiency and effectiveness activities, reliability of information and compliance with applicable laws, firm demand adequate internal control. However several frameworks assume that the need for internal control varies according to a firm's characteristics. Contingency theory concurs with this as it claims that each organization has to choose the most suitable control system by taking into account contingency characteristics.

The theory used in this study is the control theory.

2.3 Theoretical Literature

2.3.1 Definition and understanding of internal controls

Internal control is a process effected by an entity's board of directors' management and other persons and is designed to provide reasonable assurance regarding the achievements of objectives in the following categories; efficiency and effectiveness of operations, reliability of financial reporting and compliance with applicable laws and regulations (Robertson, 1996). The first category addresses an entity's basic objectives, including performance and progressing goals and safeguarding of resources. The second category relates to preparations of reliable published financial statements. The third deals with complying with the laws and regulations to which the entity is subject to.

Internal Controls (IC) are an integral part of any organization's financial and business policies and procedures. They are adopted by management to ensure that the organization conducts business in an orderly and efficient manner (KMPG Forensic;, 2004). Knechel, Naiker, & Pachego (2007) add that IC provides the framework through which management uses the resources at its disposal to achieve the organization's goals. According to Wernefelt (1989), internal controls consists of couple of measures at management's disposal intended to ensure the organizations proper functioning, correct management of its assets and liabilities and true recording in accounting evidences.

A broader definition of IC provided by Farrugia (2002) views IC as the plan of organization and the coordinated procedures used within an entity to; safeguard its assets from loss by fraud or errors, check the accuracy and reliability of accounting

data which management uses in decision making, and promotion of operational efficiency and encourage adherence to adopted policies in those areas in which the accounting and financial departments have direct or indirect responsibilities.

Dixion (1990) defined internal control systems as comprising of the internal control environment and control of procedures. He further state that the internal control systems includes all the policies and procedures (control procedures) adopted by the directors and management of an entity to assist in achieving their objective of ensuring as far as practicable, the orderly and efficient conduct of the business, including allowance to internal policies, the safe guarding of assets, the prevention and detecting of fraud and error, the accuracy and completeness of the accounting records and timely preparation of reliable financial information.

The control environment sets the tone of an organization influencing the control cautiousness of its people (Kaplan, 1992). It is a foundation for all other components of internal control providing discipline and structure. Effectively controlled entities strike to have competent people, instill an enterprise wide attitude of integrity and control consciousness, and set a positive tone at the top (O'Mara, 1995). He also states that they establish appropriate policies and procedures often including a written code of conduct which foster shared values and teamwork in pursuit of the entity's objectives.

In evaluating the effectiveness of the internal control environments, Kaplan (1992) argued that there was need to consider whether the following control objectives are met; management conveys the message that integrity and ethics cannot be compromised, the organization structure provides a moral framework for planning, directing, and controlling operations, management ensures that appropriate responsibility and delegation of authority is assigned to deal with goals and objectives and the Board of Directors and audit committee are sufficiently independent from management to construct a challenge to management decision and take an active role in ensuring that an appropriate "tone at the top exists".

Control activities are policies and procedures that help ensure that management directives are carried out. They help ensure that necessary activities are taken to address risks to achievements of the entity's objectives. Control activities occur

throughout the organization at all levels and all functions (Dixion, 1990). They include a range of activities; authorization, verifications, reconciliations, review of operating performance security of assets and segregation of duties (APB, 1995a).

Information flow is essential to effecting control, states Butici (1994),: information about an organization's plan, control environment, risks, control activities and performance must be communicated. Reliable and relevant information flow both internal and external sources must be identified, captured, processed and communicated to the people who need it in a form and time frame that is useful (COSO, 2004). Information systems produce reports, containing operational financial and compliance – related information that makes it possible to run and control an organization (Musa, 2008).

2.3.2 Internal Control Systems

The traditional accounting professional definition of internal control hinged on financial reporting and compliance aspect of control (Robertson, 1996). However Coso (2004) describes internal control system as a process involving board of directors, management, and other personnel created as a means of ensuring that the organization's objectives can be achieved. The objectives are categorized as; effectiveness and efficiency of operations, reliability of financial reporting, compliance with the relevant laws and regulations. According to Wanda (2004) control environment is distinguished from control procedure in that the former represents the general management attitude, awareness and actions as far as it concerns internal control whereas the later refers to what management has put in place as guidelines to control information and transaction procedure so as to achieve the organization's objectives. Since organizations differ in management philosophy, structure and size the wider outlook of control elements will always reflect the above differences (COSO, 2004). Organizational culture determines control through self-discipline and internal monitoring (Whyte, 1991). According to the same author, 'top down, command and controlled' organizations emphasize formal controls while those that are down sized and empowered will adopt informal controls.

According to Sikka (2007), an internal control system is an organization's confidence in its ability to perform or undertake a particular behavior. He further asserts that a system of internal controls potentially prevents errors and fraud through monitoring

and enhancing organizational and financial reporting processes as well as ensuring compliance with pertinent laws and regulations. Shelton & Whittington (2008), claim that internal controls represent a continuous process which involves part of the board of directors, senior management and all levels of personnel, and whose aim is to ensure that all the established goals will be achieved.

Williams (2005) says that some things considered to be good are not always enough for information. Internal controls have to give the possibility to check quality. Shelton and Whittington (2008) concur that sometimes even the quality of information is not enough, if it is uncompleted; that is why internal control needs to ensure that all elements are taken into consideration during their processing and the information provided needs to be geared to the pursued aim. He concludes that, that is why internal control has to avoid such situations and ensure the procurement of information is availed in a suitable time. The International Organization of Supreme Audit Institutions (INTOSAI) (2002), focuses more on a series of actions that permeate an entity's activity rather than one event or circumstance where by these actions occur throughout an entity's operations on an ongoing basis

2.3.3 Components of an internal control system

Antecedents of internal control procedure strength according to COSO (2004), include; organizational ethical environment, risk management training and internal audit activities. The ethical environment refers to how top management is committed to the morally acceptable behaviors which are based on honesty, integrity and self discipline. (Victor & Cullen, 1987) Similarly, identifies control environment factors, risk assessment, control activities, information and communication and monitoring as interrelated components of a control system. Control categorized as control environment is being more emphasized over control activities by writers like Schein (1985), and COSO (2012). This is a shift from traditional control procedures that are put forward to monitor in real time or after the event, control environment puts greater importance on setting control around people. It is believed that people with strong set of belief are able to do their own, do the right thing for the institutions they work for without necessarily being directed to do so.

Internal control is a multifaceted concept and has been defined in various ways in management control literature. Drucker (1990) provides one of the narrower

definitions of IC and they view IC as a part of the overall management control system comprising of the measures taken by an organization to avoid errors and irregularities while operations are in progress. Natovich & Vasaherlyl (1994) suggest that it is not solely a procedure or policy that is performed at certain Point in time but rather a continually operating and integrated system at all levels within an organization which consists of five interrelated components, that is, control environments, risk assessment, control activities, information and communication; and monitoring. Doyle et al (2007b) concurs that it is generally felt that all the following five components must be present for an internal control system to be considered as effective.

Control environment encompasses integrity and ethical values, management philosophy and operating style, accountability and human resource practices and is considered to be an important control element. Ethical environment can be enhanced by leadership and or management's firm adherence to punishing those who violate the code of ethics (COSO, 1994). Control activities are top down reviews, functional or activity management, information processing, performance indicators, segregation of duties and physical control, the same author reiterates. Crosschecking or authorization as control activities are portrayed as being of reducing importance. Risk control involves systematic procedures put in place to identify and measure risk associated with the institution's continuity and strategies for controlling and monitoring it. Risk assessment focuses on cost versus benefit approach to control and is not just the risk of fraud or misstatement of reports (COSO, 1994). COSO (1994) recognizes information and communication as a separate control system component. Information sharing enables employees to get right and timely information thus developing a timely feedback; this is according to Robbins & Judge (2007). Organizations where information sharing is encouraged decision making and performance is highly enabled. Employees take ownership of information and can easily identify and put right their own and their team's faults, the same authors state.

2.3.4 Internal control systems strengths and weaknesses

While COSO (2004), emphasizes that internal control procedural quality depends upon the control strength on cash management, physical assets, purchasing and accounts payable, sales, payroll, bank account management and employee recruitment, INTOSAI, suggests that effectiveness of internal control system will be

judged from the reliability of financial reports, efforts to comply with applicable laws and regulations, unfailing management reporting, protection of assets, guarding against fraud and errors and encouraging efficiency and effectiveness of operations. Albrecht, Howe, & Romney (1984) outline twelve most common internal control weaknesses, in order of frequency as; Too much trust in employees, lack of proper procedure for authorization, lack of personal financial information disclosure (for bank frauds), lack of separation of transaction authority from custodian of assets, absence of independent checks on performance, lack of adequate attention to detail, failure to separate asset custody from accounting for assets, failure to separate accounting duties, absence of clear lines of authority, relaxed or absence of audit activities or reviews, no conflict of interest statement required and lack of adequate documents and records. A view held by Buckhoff (2002) and supported by literature by Bailey (1981) is that lack of segregation of duties, lack of independent reconciliation on cash received and deposited and performing incompatible roles greatly facilitates internal fraud. The conditions for fraud to occur, the same authors highlight include an incentive to commit fraud (pressure), good reason for justifying fraudulent behavior (attitude) and an opportunity to commit fraud. It is pointed out that opportunity is easy to control by establishing strong internal system unlike pressure and attitude which are human factors that are usually beyond direct influence of management (Albrecht et al., 1984).

2.3.5 Results of lack or weaknesses in internal control system

The International Organization of Supreme Audit Institutions INTOSAI (2002) defines fraud as “an intentional act by one or more individuals among management, those charged with governance, employees or third parties, involving the use of deception to obtain unjust or illegal advantage”. Fraud they reiterate is not the same as error. Error is unintentional and the perpetrator of the error may not be aware of it, furthermore the perpetrator is not looking to benefit in any way from the commission of the error, this is entirely unlike fraud. According to Robertson (1996) there are two broad classes of fraud management, management fraud and employee fraud. Fakunle (2006), states that management fraud mainly involves the manipulation of records with a view to benefit in some way. Robertson states that this is a deliberate act committed by management that injures investors and creditors through mostly

misleading financial statements. On employee fraud, he states that this is mostly perpetrated by employees and it is aimed at defrauding the employer.

The responsibility for preventing fraud and error lies with the Sacco board of directors. They can develop adequate policies to protect Sacco assets; they should employ qualified personnel and put systems in place to detect both if and when they occur. The board should also be aware of areas which can be utilized to perpetrate the vice so they can better prevent and detect these vices (INTOSAI, 2002). According to a report by consultative group to assist the poor written by Deshpande (2006) there has been massive fraud of funds by Sacco leaders, and delinquency in Saccos has increased. For instance “Alut kot Sacco in Lira loaned out money in 2002 but had only recovered 26% of the amount by 2010”, (Ojwee, 2010). Bwana & Mwakungoja (2013), state that some of the constraints to development of Saccos in Kenya and Tanzania include widespread corruption, nepotism and fraud by some officers.

Another spectacular case of fraud reported was that of Umerenge Sacco in Rwanda. Apparently board members of the Sacco granted themselves loans or recovered the same from borrowers without making any records. The result being that money is stolen while the client is pursued. It was discovered that some managers stole money from the Sacco’s safes and yet still retain their positions. Misappropriation of funds by the Sacco employees was also a vice in the Sacco. To mitigate this, the Rwanda government through the central bank governor rolled out a plan to offer training to Sacco employees and managers and to also computerize all the branches (Croix, 2012)

In Kenya a case was presented to the Kenya anti corruption agency by an insider concerning the Harambee Sacco (Croix, 2012). The members paid loans and cashiers made entries into the computers but for some reason the money was not banked. Croix adds that one cashier could not account for the whereabouts of Kenya shilling 324 million and another of 30 million. It was also discovered that some Sacco directors and members got huge cash payments as loans and had the transactions deleted from the Sacco’s system hence leaving them with no debt obligation. Additionally members and outsiders robbed the Sacco of more than 100 million through the automated teller system. On the same, “a report by SASRA on this malfeasance states that, that is why the Sacco had only 1.4 billion of its 9.8 billion

loan book” (Croix, 2012). Employee frauds are more likely to be encountered where internal controls are weak (Awe, 2005)

2.3.6 Control Environment

The control environment is the foundational context within which the other aspects of internal control operate (COSO, 2012). The philosophy and management style, organizational structure, methods of imposing control, assignment of authority and responsibility are all key aspects of the control environment (Jones, 2008). Beneish et al,(2008) define the control environment as the tone of an organization and the way it operates. They further says that it concerns the establishment of an atmosphere in which people can conduct their activities and carry out their control responsibilities effectively. Likewise, COSO (2004), looks at the ethical environment of an organization to encompass aspects of upper management’s tone in achieving organizational objectives, their value judgments and management styles. The control environment represents the control atmosphere for the entity and is the foundation for the other components (Nicolaisen, 2004).

Crawford, Klamm, & Watson, (2007) state that control environment comprises of seven elements; communication and enforcement of integrity and ethical values, commitment to competence, participation by those charged with competence, management’s philosophy and operating style, organizational structure, assignment of authority and responsibility, and lastly human resources policies and practices. A member of the audit Team,(2004) put these same elements as components of the control environment. ISA (2002) clearly looks at the control environment to represent management’s overall attitude, awareness and actions regarding internal controls. Crawford et al concur that higher level administrators of an organization are responsible for establishing the appropriate control environment.

2.3.7 Risk Assessment

Risk assessment is the process used by an organization (management) to decide how it will deal with the risks that pose a threat to achieving its objectives (Farrugia, 2002). It entails the identification and prioritization of objectives, the identification of risks and assessment of their likelihood and impact. Consequently Jones (2008), looks at risk assessment as the identification, evaluation and management of risks. He further notes that risks can relate, to financial statement fraud or to the

misappropriation of assets.

2.3.8 Control Activities

Control activities are the policies and procedures implemented by an organization to ensure that management's directives are carried out. These activities are often grouped into the three categories of objectives to which they relate, namely, operations, financial reporting, and compliance (Shelton & Whittington, 2008). They further argue that these control activities include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.

More specific activities include segregation of duties, rotation of jobs and internal check (Glenn & Rao, 2009). The same authors also reiterate the fact that segregation of duties is one of the key concepts of internal control. According to them it is also one of the most effective internal control components in combating employee fraud. They define segregation of duties as the "dividing of tasks among various individuals making it possible to reduce risk of error and fraud". Segregation contributes to an organization's check and balances. It involves separation of the following duties in each business process; custody of assets, record keeping, authorization and reconciliation. Ideally "no one person should handle more than one activity of the above mentioned responsibilities in a given process". Segregation being implemented deters and prevents employee fraud. When segregation cannot be implemented, compensatory measures should be taken, Glenn et al, point out. Compensatory measures should be done by an independent person/body. This means one who has supervisory role and takes no part at all in custody, record keeping or reconciliation responsibilities for the process.

According to Elizondo, (2000) rotation of jobs is a control to detect errors and fraud. No one person has a given task indefinitely to provide him with security to monopolize the responsibilities of that job long enough to give him opportunity to commit fraud. Hsien & Chao, (2004) highlight the fact that research has suggested that job rotation may have benefits that outweighs the costs involved with training employees for diversified positions. Hurst (2005) says that fraud is more of a risk when individuals are given excessive privileges. Rotation of duties not only reduces privilege allocation but it also reduces collusion of more than a single employee,

thereby reducing fraud. Additionally job rotation has the advantage of cross training employees while increasing security. The same author adds that, another aspect of job rotation is mandatory vacation. Mandatory vacation may expose hidden activities if another employee performs that given role.

Dinesh (2009), defines internal check as a system where the work is divided and allocated in such a way that work can be checked automatically by another staff. The aim of this internal check system is to prevent and detect errors and fraud. Therefore, according to Dinesh, to commit error and fraud there has to be collusion between two or more people. In today's world technology can be used to assist in internal check for instance wage meters, clocking in and out meters, he further adds. Internal check on the other hand is defined by Keshal (2012), as an accounting procedure or physical control to safeguard assets against loss due to fraud or other irregularities. It can also be said to be a company policy to safeguard property from theft and damage, he adds. He also describes it as a means of internal audit by the staff itself in that work of each employee is independently checked by other members of staff.

Another key control activity is auditing, this includes both internal and external auditing (Nebraska govt Audit team, 2008). Warren (2014) defines auditing as an official examination and verifications of accounts and records, especially of financial accounts. This can be internal (done by employees if the organization) or external (done by an outside firm), the same author expounds. The role of internal audit according to Warren is to provide independent assurance that an organization's risk management, governance and internal control processes are operating effectively and to advise for improvements if there are any shortcomings in the present system.. Internal auditors deal with issues fundamentally important to the survival of the organization, they look beyond financial risks and statements unlike external auditors.

2.3.9 Information and Communication

According to (Jones, Internal Control Accountability & Corporate Governance, 2008), Information and communication refer to the systems put in place by an organization to identify, capture, process and report relevant and reliable information in a timely manner so that people can carry out their responsibilities effectively. In addition, these systems deal with both internally and externally generated/required data and flows both vertically and horizontally in the organization.

Gaskill (2000) looks at information and communication component as the identification, capture, and communication of pertinent information in an appropriate form and timeframe to accomplish the financial reporting objectives. Open channels of communication are necessary to allow information to flow throughout the entity and into the financial statements and therefore management should discuss the identification, capture, and flow of financial information in its report (COSO, 2004).

2.3.10 Monitoring

This refers to the process of assessing the quality of a system's performance over time (Jones, 2008). It entails the activities and procedures designed to assess the effectiveness of the internal control system in achieving the entity's financial reporting objectives (Williams, 2005). Monitoring activities may be ongoing or may be separate evaluations and it is important given the complex and dynamic environments faced by most organizations (Henle, 2005). It seeks to ensure that systems are performing as intended. However, this is accomplished through ongoing monitoring activities, periodic evaluations or a combination of the two (COSO, 2004). William further contends that these activities permeate the entire organization, at all levels and in all functions.

According to Musa (2008), the internal management principles need to be enforced strongly to improve efficiency of collections, and even perhaps consider insuring the loans in case of demise of member loaned. Saccos mobilize savings and penetrates to areas not valued by other financial institutions, while also serving special needs of members. The prospects for the industry are so huge. By identifying the fact that the easiest source of funding is the locally mobilized savings, the Saccos should come up with innovative ideas to encourage the members of the common bond to save, as a first step. The same author notes that human resource plays a large role in ensuring the success of internal controls. This is so as the systems are only as good as the people using them. If the people connive to abuse the controls then the controls will fail all together. Muoki (2010) states that the greatest preventative antidote to fraud is to ensure a Sacco provide strong and effective staff motivation and remunerations. Kigen (2010) reiterates that Saccos are vulnerable when they have high employee turnover or when staff members are on leave. Also when an employee is fired, there is the risk that that former employee may continue to collect money from clients behind the Saccos back.

2.4 Empirical Literature

A research titled “internal control and organizational performance” was done by Ochoge (2011). The research centered on Medipoint industries limited. The objectives of the study were; to examine the effectiveness of internal control in this industry and to establish a relationship between internal control and performance. The internal control parameters used in this study were: control environment, risk assessment, monitoring, information and communication and control activities. The study population was the employees and customers of medipoint industry limited. Simple random technique was used to get the sample for the study. Primary and secondary sources were used to collect the data. The findings of the research were that internal control used in Medipoint industry was unsatisfactory and ineffective. Secondly there was a “significant positive relationship between internal control and organizational performance. The researcher recommended that the management of this industry should design an effective internal control system.

Another research on internal control and how it affects performance was done by Muraleetharan, (2011). The research focused on “internal control and its impact on financial performance of an organization”. Internal control in the study was measured by control environment, monitoring of the internal control and risk assessment. Financial performance on the other hand was measured by profit, efficiency and liquidity. The objective of the study was to find out the relationship between internal control and financial performance. The limitation of the study was that the study was limited to private and public sector organizations in Jaffna district. Primary and secondary data was used for the survey. This was collected through questionnaires, interviews, journals and books. The public and private organizations in the study were randomly selected. The statistical tools used in the study were the chi square and multiple regressions. Chi square was used to find out whether the variables were dependent or independent while multiple regressions were used to determine the impact of internal control and financial performance. The researcher through the study concluded that internal control has a significant impact on financial performance. He adds that the better the ”performance of risk assessment, control activities and monitoring of the internal control” the greater the financial performance.

Olatunji (2009) did a research on the impact of internal control system in the banking sector in Nigeria. His research was inspired by the central bank of Nigeria which attributed the poor development of banks to weaknesses in the internal control systems of the banks. The objectives of the study were to determine the impact of internal control on the overall management of Nigerian banks and to examine the effect of internal control system when it comes to fraud prevention and detection. The study was limited to Wema bank branches in the south western part of Nigeria. Data was obtained through primary and secondary sources. Data collected was analyzed by descriptive and inferential statistical methods. He concluded that prevention and detection of fraud necessitates an effective and efficient internal control system. Additionally, he stresses that lack of internal control system is the major cause of bank frauds. His recommendations were that banks should, have adequate internal control systems, effective internal audit department, proper attention should be paid to cash and formulation of good personnel and recruitment policies.

2.5 Summary and Research Gap

A good internal control system ensures that functions/duties are properly defined and that duties are properly assigned to qualified staff and that there is an inbuilt control in the system to ensure feedback, detection and correction of errors in good time. The internal audit is one such unit established by the management to ensure compliance to policy instructions and for correcting deviation from the management set guidelines. It objectively examines, evaluates and reports on the adequacy of the internal control, thereby ensuring efficient and effective application of limited resources. This study aimed at trying to determine the link between the internal control and financial performance of Saccos within this area of Nakuru County. The research gap is that there is need to find out the contribution of internal control on financial performance. Therefore, this study was carried out to examine the effects of internal control on financial performance of Saccos in Kenya. It was a survey on Saccos that have been registered and licensed to operate within Nakuru County.

2.6 Conceptual Framework

A conceptual framework according to Orodho (2009) is a type of a model that illustrates the nature of relationships between independent and dependent variables under investigation. The conceptual framework in Figure 2.1 hypothesizes the relationships between independent variables and the dependent variables identified for the purposes of the present study.

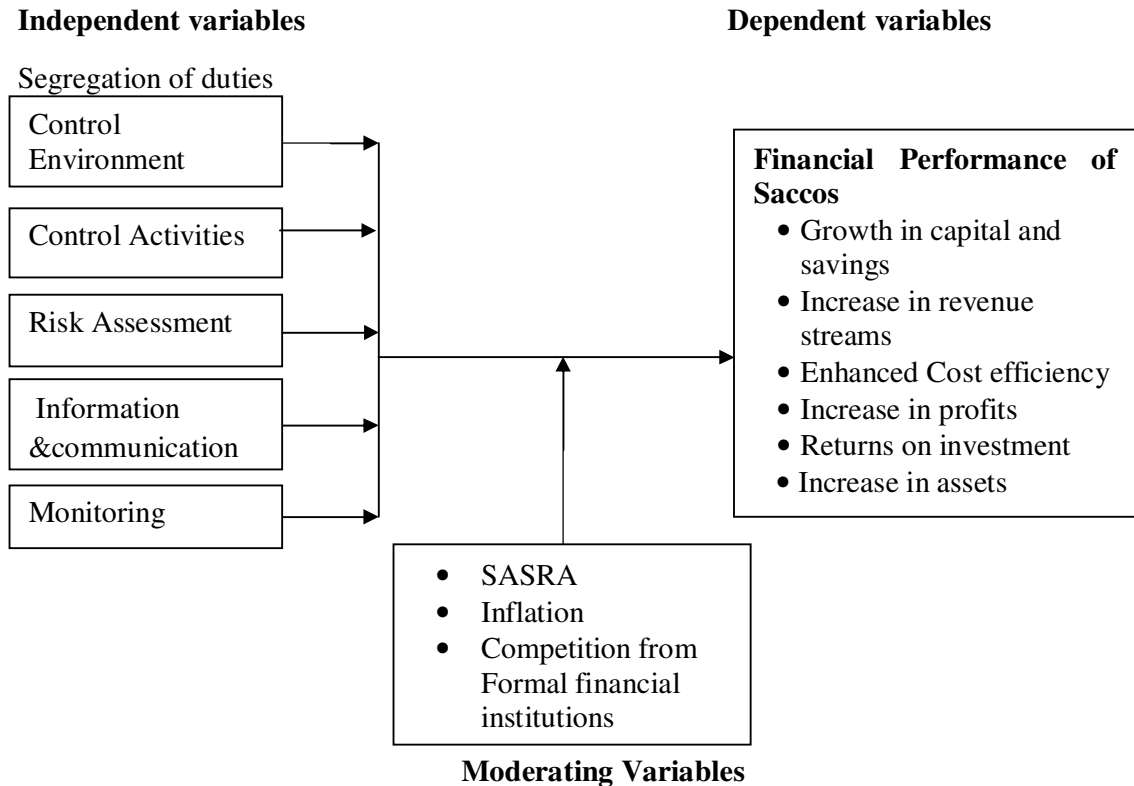


Figure 2. 1: Conceptual Framework

Source: Author (2015)

2.6.1 Independent Variables

2.6.1.1 Control Environment

Control Environment has 7 components which if present and enforced well will point to an effective internal control system. The first is communication and enforcement of integrity and ethical values i.e the values exist and are communicated effectively to employees and enforced. The second one is commitment to competence; management and board of directors should ensure that employees have the necessary skills to accomplish tasks that define the individual's job. The third component is participation

by those charged with governance; that is those charged with governance should get involved in the day to day activities, this will have a pervasive effect on the internal control. The fourth element is management's philosophy and operating style, this involves management's approach to taking and managing risk; their attitudes and actions toward financial reporting; and finally their attitudes toward information processing and accounting functions. The fifth element is the organizational structure, here we are going to look at whether the organizational structure of the Sacco in terms of authority, responsibility and lines of reporting meet desired objectives of the Sacco. The sixth element is the Sacco's assignment of authority and responsibility; what this means is that the appropriate levels of authority are assigned to appropriately qualified and experienced individuals. Additionally individuals need to be properly resourced and made fully aware of their responsibilities. Last element of the control environment is the human resources policies and practices; they should be sound both in design and implementation over a range of matters. If all this components are well enforced, there will be reduced risk of material misstatements and fraud (Member of Audit Team, 2004).

2.6.1.2 Control Activities

Implementing internal control by enforcing segregation of duties is important in the area of cash management because of the diverse nature of the processes involved, that is, billings, collections, deposits, and disbursement processes, as well as the fragmented oversight responsibilities generally associated with these processes. Some of the other major factors, which impose a need for a consistent application of segregation of duties are: The prevalence of a high turnover rate of operating personnel and supervisors in cash management functions; the assignment of cash handling responsibilities to personnel with limited fiscal experience or understanding; the fragmentation of billing and cash handling functions which makes monitoring the whole process difficult; and the inherent risk of loss, or opportunity for personal gain, created by the nature of cash transactions. Lack of segregation of duties reflects poor cash management policies and lack of control in cash handling which provides opportunity for high rates of fraud and errors in book and record keeping. It will also possibly even impact an auditor's perception of your accounting practices. Good controls using segregation of duties on cash policies and procedures that are clearly

communicated and regularly audited internally indicate to external auditors that cash controls are working (Hsien & Chao, 2004)..

Rotation of jobs another internal control activity is key as regardless of the ranks of the employees, all employees should be assigned to a different task every so often. This will invariably result to reduction of fraud and errors. It may also lead to more productivity which will be caused by more productive employees due to reduction in burnout and boredom caused by working in one station indefinitely. This therefore means that senior management should ensure the staff is well trained in all aspects of the business to facilitate them to make well-informed decisions with financial-related laws, rules, policies, processes, and procedures. The areas of responsibility for the management include: identifying areas that need training on financial operations and commodity management; and supervising financial transactions (Hurst, 2005).

Other challenges taken care of by control activities include recruiting and retaining qualified employees, this leads to mediocrity in the work place due to employees being unqualified. (Ike, 2006). An appropriate internal check system is crucial to Saccos' operations. An internal check system reduces fraud and errors which will lead to reduction in loss of assets, capital and clients' savings. This too will lead to increased performance of the Sacco if enforced well (Buckhoff, 2002). Auditing both internal and external if enforced well will work to incredibly reduce frauds and errors. Internal Audit, will ensure policies and procedures are put in place and enforced. It will also advise the management on any risks and ways to mitigate the risks. External auditing will ensure that the financial books are in order and if not it will report on any cases of fraud or errors in the financials, hence exposing the vices (Member of Audit Team, 2004).

2.6.1.3 Risk Assessment

This involves a review and analysis of program operations to determine where risks exist and what those risks exist. This then allows one to target high risk areas and mitigate those that stand in the way of achieving the objective of the organization. Risk identification occurs as a result of finding from audits, evaluations and other testing (Member of Audit Team, 2004).

2.6.1.4 Information and Communication

Fast, reliable and accurate information is important for a Sacco to control its operations. Effective communication in a broad sense with information flowing down, across and up will aid in effective operations of an entity. Communication also takes place with outside parties such as regulators. Technology management assures useful, reliable and continuous communications (Musa, 2008).

2.6.1.5 Monitoring

Monitoring performance is important. This involves measuring the quality of performance over time and ensuring that the findings of audits and other reviews are promptly resolved. Monitoring includes policies and procedures for tracking audit findings. Its aim is to determine whether controls are effective. Proper monitoring and review allows one to track the progress of one's improvements and to determine if deficiencies are corrected. (Butici, 1994).

2.6.2 Dependent Variables

2.6.2.1 Financial Performance of Saccos

As a result of applying internal controls, the Saccos may be able to have adequate capital. This may be as a result of elimination or reduction of wastages of resources and loss due to errors, also through the reduction of fraud not only in their day-to-day business operations but also in totality. This may lead to more increased confidence by their members, thus encouraging them to deposit more of their incomes with their Saccos. The ultimate goal that will be realized will be increased profits at the end of each financial year.

Also, the outcome of effective internal controls will be reduced costs of operations. Revenues will be recorded properly with reduced leakages. Increased revenue growth and reduced costs leads to improved profitability performance. Members will enjoy increased dividend pay outs. The value of shares of members will increase.

Internal control leads the management of Saccos to be more accountable to their members' resources. By placing specific roles and responsibilities to every official members of their board of directors, the management team and other employees, a better administration structure will be realized. And it would be easy for each office holder to be held accountable in the event either any mismanagement if noted or misappropriation of financial resources hence adequate capital, savings mobilization and increased profits.

Proper management can be measured by innovative and creative strategies that are aimed at cost reductions in a Sacco's business operations. Regular internal checks or audits are required so as to detect, investigate and recommend action plans whenever an error or omission or commission is suspected in any department. Also, it will mitigate chances of fraud within that organization, by way of highlighting any internal weaknesses.

As the rate of fraud is reduced this will result in reduction of loss of money and other assets through dubious means by employees and other stake holders. This will in the end result in more money within the Sacco and therefore a positive impact in the financial performance of the Sacco. (Amyx, 2005)

Reduction in rate of errors will also result in a positive impact on the financial performance of the Sacco. This is as records will show a true reflection of what is happening in the finances of the Sacco. Additionally, there will be a reduction of loss of money that comes by way of errors in the day to day financial activities of the Sacco. (Ike, 2006)

2.6.3 Intervening Variables

2.6.3.1 SASRA Regulations

The co-operative societies act has governed all Saccos since 1966 with several amendments. Given the rapid changes happening in the co-operative sector the government enacted the sacco societies act 2008 which established SASRA to license regulate, supervise and promote sacco societies development in Kenya (SASRA, 2011).

2.6.3.2 Inflation

Inflation is the persistent increase in the general price level of goods and services in an economy over a period of time. Inflation impacts Saccos performance as it increases opportunity cost of holding money; this translates to reduced savings and investments (North, 1994).

2.6.3.3 Competition from Formal Financial Institutions

The formal financial sector is comprised of licensed commercial, regional and rural banks. These institutions give competition to semi informal institutions like Saccos. if they offer a low interest rate, low charges and fees than Saccos, people will tend to prefer them to Saccos. this results in lower profitability for Saccos (Mcpherson, 1995).

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presents the methodology that was employed in collecting and analyzing data for the study. It starts with research design and ends with ethical issues.

3.1 Research Design

The study employed the survey research design. According to Mugenda & Mugenda, (2003) a survey is an attempt to collect data from member of a given population in order to determine the current status of that population with respect to one or more variable and can have descriptive, exploratory or may involve advanced statistical analysis. This design was chosen for this study because it is economical, facilitates rapid data collection, enables the understanding of a population from a part of it and also it is suitable for undertaking extensive research.

3.2 Target Population

There are 296 Saccos and Saccos' branches that have been licensed and are carrying out their operations fully within Nakuru County, this is according to the Nakuru county cooperative development office (2014). The target population for this study, therefore, consisted of the overall managers of the Saccos, the finance managers and employees in the finance departments of the Saccos. Thus, the study targeted three individuals from each Sacco bringing the accessible population to 888. The reason for choosing this category of respondents was because they constituted the managerial staff who were often held accountable and may be having more knowledge on internal control matters than other employees within their Saccos with regards to the subject matter of the current study.

3.3 Sample Size and Sampling Procedures

Simple random technique was used during the study to select the respondents to be included in the study. This was achieved using the formula proposed by Yamane (1967) that determines the actual sample size within an error margin of 5%. This formula was used as the target population is small and it is a simplified equation to get the sample size. Thus,

$$n = \frac{N}{1+(N-1)e^2}$$

$$n = \frac{888}{1+(888-1)e^2} = 276$$

n = sample size

e = error of 5%

N = total population

The required sample size obtained from this formula was 276.

This technique was used because of its advantages like minimization of biased results. The study used purposive sampling method to select some of the respondents for inclusion in the survey. To be more specific, the researcher applied homogeneous sampling. The latter is a purposive sampling technique that aims to achieve a homogeneous sample; that is, a sample whose units (for example, employees) share the same (or very similar) characteristics or traits (for example, a group of people that are similar in terms of age, gender, background, occupation, etc.). In this case the finance managers in each of the selected Saccos and a staff in the finance department of each of the selected Sacco, because of their occupation level. They also share similar character traits due to working within the same sector and their organizations have similar business models. Another reason is that, a homogeneous sample is often chosen when the research question that is being addressed is specific to the characteristics of the particular group of interest, which is subsequently examined in detail (Mugenda & Mugenda, 2003). Each branch manager of the selected Saccos was also included in the study.

Proportional allocation was used to allocate the sample size into Saccos from each sub county under the formula:

$$= \frac{x * n}{N}$$

Where, X = Number of respondents in the Saccos in the Sub county

N = Total Population

n = the sample size

This is shown in Table 3.1

Table 3. 1: Number of Saccos from each sub county to be in the study

Name of Sub County	No. of Saccos in the Sub Counties	Target population(x)	No. of respondents included in the study
1 Nakuru East & West Sub County	112	336	103
2 Gilgil Sub County	11	33	10
3 Molo Sub County	17	51	16
4 Njoro Sub County	37	111	35
5 Rongai Sub County	13	39	12
6 Nakuru North Sub County	16	48	15
7 Naivasha Sub County	83	249	76
8 Kuresoi Sub County	5	15	6
9 Subukia Sub County	2	6	3
Totals	296	888	276

Source: Nakuru County offices (first column) and author's calculations (2nd and 3rd column)

The table above gives the Saccos that are in each Sub county on the first column and the second column gives the number of Saccos from each sub county that was ideally to be involved in the study.

3.4 Data Collection Instruments

Primary and secondary data was collected in this study. Questionnaires were used for the data collection. The study adopted a questionnaire method with close ended questions to encourage high response rates. This facilitated maximum extraction of information from the respondents. With most of the questions being structured, it aimed at saving time. It made it easy to collect the data from a large population sample over a wide area. Also, it created confidence among the respondents.

3.5 Validity and Reliability of Research Instruments

Pilot testing was done with two principals and ten teachers before the actual collection of data. The respondents in the pilot study were selected from four Saccos in Eldoret town, the manager of the Sacco, the finance manager and one finance department employee were the actual respondents and were not among those who participated in the actual study. The purpose of this study was to enable the researcher discover the weaknesses of the research instrument to be used during the actual study, check the clarity of the questions or items and also elicit comments that could assist the researcher reconstruct the questionnaires for the purposes of improvement and modifications of the instruments.

Validity is the degree to which results obtained from the analysis of the data represent the Phenomena under study (Mugenda & Mugenda, 2003). Validity in this study was ensured by carrying out a pilot study so that any ambiguity could have been detected from the responses. The instrument was also presented to the experts for critical appraisal. The researcher also ensured that all the items were comprehensive and based on the study objectives.

Reliability is the measure of degree to which a research instrument yields consistent results after repeated trials (Kothari, 2004). The researcher assessed the reliability of the data collected by ensuring that the questionnaires were tested and retested by having them administered to the same pilot group twice at an interval of two weeks under the same conditions. Results from the two sets of the instrument administration were coded and correlated to assess the reliability coefficient. A reliability coefficient of $r = 0.7756$ was obtained for the instruments and was deemed appropriate. According to Fraenkel & Wallen (2000), as a rule of thumb, a proposed instrument should only be used if an r value of 0.70 or higher is obtained on a substantial sample. Subsequently, the reliability coefficient was considered high enough.

3.6 Data Analysis and Presentation

The data collected was analyzed using both descriptive and inferential statistics with the help of Statistical Package for Social Sciences (SPSS) version 22. Descriptive analysis was done using, frequencies, percentages and chi-squares to describe the basic characteristics of the population under study from which inferences were subsequently drawn using inferential statistical methods. Inferential statistics involved the use of Pearson's Product Moment correlation and multiple regression models to determine the nature of the relationship between the variables. The multiple regression model was assumed to hold under the equation;

$$Y_i = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \beta_5 x_5 + e$$

y = Financial Performance of Saccos

β_0 = Constant

X_1 = Control Environment

X_2 = Control Activities

X_3 = Risk Assessment

X_4 = Information and Communication

X_5 = Monitoring Activities

β_1 to β_5 , are the coefficients of the variables determine by the model

e = the estimated error of the regression model

The findings were then presented using tables, interpreted and discussed.

3.7 Ethical Issues

The researcher upheld some ethical issues in the process of the study. In this study, the researcher ensured that the appropriate authorization was obtained from the management of the selected Saccos.

The researcher assured the respondents that all the information gathered will be treated with the highest level of confidentiality. This was to assure them that no one will be victimized because of expressing his or her views and opinions. As such, they were advised not to leave their names or contact information on the research instruments. Also, the researcher sought authorization from the Dean of business school, Kabarak University to carry out the research. This is a pre-requisite for any research to be carried out at any of Saccos' branches.

CHAPTER FOUR RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents results arising from the analysis of data collected using questionnaires. The data collected was analysed using descriptive and inferential statistical methods for each variable and the findings presented in tabular summaries, and their implications discussed.

4.1.1 Response Rate

Table 4.1 shows the response rate of the questionnaires.

Table 4. 1: Response Rate

No. of questionnaires Returned	Target No. of respondents	Response Rate (%)
201	276	73

The high questionnaire response rate (73%) shown in Table 4.1 resulted from the method of administration of the instrument, which was in this case self-administered. This method also ensured that the respondents' queries concerning clarity were addressed at the point of data collection; however, caution was exercised so as not to introduce bias in the process. The other questionnaires were found to be unusable for the study; hence, their results were not included in the findings. The results were within the acceptable limits prescribed by Mugenda and Mugenda (2003).

4.2 Descriptive Statistics

This section presents the results of the descriptive statistical analyses of the data and their interpretations. The descriptive statistics used are the frequencies, percentages and chi-squares. The descriptive statistics helped to develop the basic features of the study and form the basis of virtually every quantitative analysis of the data. The results were presented in terms of the study objectives.

4.2.1 Demographic Characteristics of the Respondents

There was need to first establish the demographic characteristics of the respondents as they are considered as categorical variables which give some basic insight about the respondents. The characteristics considered in the study were; gender, range of ages,

highest level of education and work experience in the Sacco sector. The findings are summarized in Table 4.2

Table 4. 2: Demographic Characteristics of the Respondents

Variable	Category	Frequency	Percentage(%)
Gender	Male	133	66
	Female	68	34
Age in Years	18 – 25	18	9
	26 – 35	103	51
	36 – 45	54	27
	46 – 55	16	8
	Above 55 years	10	5
Highest level of education	O-Levels	47	23
	Diploma	82	41
	Degree	56	28
	Masters	16	8
Experience in the Sector	Less than 2 years	28	14
	2 - 5 years	84	42
	6 - 9 years	71	35
	10 - 13 years	14	7
	Above 13 years	4	2

The findings in Table 4.2 indicate that majority (66%) of the respondents were male while the females constituted 34%. This was a significant representation of the respondents that avoided biases associated with gender-imbalanced studies. Even though the implication was that gender distribution among the respondents was skewed towards males, the representation was fair and met the recommended one-third threshold. The unequal representation evident in these findings is attributable to historical representativeness and gender imbalances observed worldwide (COSO, 2012). Furthermore, over half (51%) of the respondents were found to be aged between 25 to 35 years suggesting that most of the Saccos in the area were employing young people. This revelation corresponds to the nature of age structure of most developing countries which are mostly composed of youths (ICA) International cooperative Alliance, 1995). Also according to the findings, most (77%) of the respondents were highly educated having post secondary level of education as demanded by the regulator SASRA which has put a threshold of the required qualification of the senior staff in order to enhance their performance (SASRA, 2008). The study also found that most (42%) of the respondents had a working

experience of between 2 and 5 years. This was closely followed by those who had worked between 6 and 9 years in the Saccos (35%).

4.2.2 Background Characteristics of the Saccos

The study also sought to determine the background characteristics of the Saccos in order to give more insight about the performance of the Saccos. The characteristics considered in the study were; the years the individual Saccos had been in existence in the area, the membership in terms of size and their loan portfolios. The findings on these are summarized in Table 4.3

Table 4. 3: Background Characteristics of the Saccos

Variable	Category	Frequency	Percentage(%)
Number of years in the area	Less than 5 years	47	16
	5 -9 years	91	31
	10 - 14 years	86	29
	15 - 19 years	36	12
	20 years and above	36	12
Size in terms of Membership	Less than 250 members	75	25
	250-499 members	78	26
	500-749 members	66	22
	750-999 members	30	10
	1000 members and above	47	16
Loan Portfolio	Less than 10 Million	192	65
	10 - 50 Million	80	27
	50 Million and above	24	8

Table 4.3 shows that majority (60%) of the Saccos have been in existence in the area for between 6 to 14 years. This was a remarkable result considering their membership and loan portfolio sizes. Most (26%) Saccos had between 250 and 499 members. However, the Saccos were mostly open to members only, therefore, limiting other potential members from joining them. The findings also indicate that most (65%) of the Sacco's had a loan portfolio of less than 10 million. This could be attributed to the memberships of the Saccos in terms of sizes and guilds and also the prevailing economic factors in the area.

4.2.3 Control environment and the financial performance of Saccos

The first objective of the study was to determine the effects of control environment on the financial performance of Saccos in Nakuru County. This objective was realized by asking the respondents to respond to several statements pertaining to the control environment in their organization. The status of effects of this variable was rated on a 5 point Likert scale ranging from; 1 = strongly disagree to 5 = strongly agree. The results on this are summarized in Table 4.4.

Table 4. 4: Control environment and the financial performance of Saccos

Statement	SA	A	N	D	SD	χ^2	P-value
	Freq(%)	Freq(%)	Freq(%)	Freq(%)	Freq(%)		
There is adequate communication and enforcement of integrity and ethical values in our Sacco	43(21.3)	108(53.8)	23(11.3)	25(12.5)	1(1.3)	104.983	0.000
Our Sacco management is committed to ensuring employee competence in financial matters	10(5.0)	101(50.0)	15(7.5)	75(37.5)	0	92.412	0.002
There is enough participation in our Saccos activities by those charged with governance	5(2.5)	111(55.0)	5(2.5)	80(40.0)	0	86.307	0.006
Our management's philosophy and operating style fosters the Saccos advancement while upholding rules and regulations	18(8.8)	105(52.5)	23(11.3)	55(27.5)	0	103.838	0.000
Our Saccos' organization structure has well established lines of reporting and decision making heirachies	5(2.5)	98(48.8)	10(5.0)	80(40.0)	8(3.8)	109.239	0.000
The management of our Sacco properly assigns authority and responsibility to qualified individuals	34(17)	75(37.5)	25(12.6)	62(31)	34(17)	96.896	0.001
We have well designed human resource policies that are easy to implement and practice in our Sacco	10(5.0)	96(47.5)	15(7.5)	80(40.0)	0	74.261	0.002

The findings in Table 4.4 indicate that most (53.8%) of the Saccos had adequate communication and enforced integrity and ethical values. The Saccos managements were also committed to ensuring employee competence in financial matters (50%) as

stipulated by the regulator. It is also evident from the findings that in majority (55%) of the Saccos, there was enough participation in the Saccos activities by those charged with governance. This was also in line with the SASRA demands for better corporate governance. The findings also indicated that in most (52.5%) of the Saccos, the management's philosophy and operating style fostered the Saccos advancement while upholding the laid down rules and regulations. Most (48.8%) of the respondents also agreed that their Saccos' organization structures had well established lines of reporting and decision making hierarchies. Other findings indicate that the management in most (37.5%) Saccos properly assigned authority and responsibility to qualify individuals and also had well designed human resource policies that were easy to implement and practice (47.5%). These findings imply that in most Saccos, the control environment reinforced corporate governance practices. They agree with Olatunji (2009) whose study on the impact of internal control system in the banking sector in Nigeria attributed the poor development of banks to weaknesses in the internal control systems of the banks particularly the internal environment. According to Member of Audit Team (2004), if all the components of internal environment are well enforced, there will be reduced risk of material misstatements and fraud

4.2.4 Control activities and the financial performance of Saccos

Determining how control activities affect the financial performance of Saccos in Nakuru County was the second objective of this study. In order to achieve this objective, the respondents were asked to respond to various questions describing the control activities used in their organization. The responses of this variable were rated on a 5 point Likert scale ranging from; 1 = strongly disagree to 5 = strongly agree. These results are presented in Table 4.5.

Table 4. 5: Control activities and the financial performance of Saccos

Statements	SA	A	N	D	SD	χ^2	P-value
	Freq(%)	Freq(%)	Freq(%)	Freq(%)	Freq(%)		
There is adequate segregation of duties among staff in our organization	6(3)	94(46.8)	10(5.0)	83(41.3)	8(3.8)	137.015	0
Our Sacco's management carries out frequent job rotations to ensure that all employees are assigned to different tasks	18(8.8)	62(36)	14(7)	81(40.5)	26(12.7)	124.697	0
Our Sacco has in place adequate procedures to carry out internal checks, such as, authorizations and verifications for every transaction	22(11)	126(62.5)	17(8.6)	22(11)	14(7)	96.164	0.001
We diligently comply with the recommendations of our internal audit report	38(19)	52(26)	10(5)	64(32)	36(18)	122.177	0
We make every effort to ensure that all our financial books are in order for external audit	10(5.0)	106(52.5)	15(7.5)	70(35)	0	74.261	0.002
We has installed appropriate ICT controls, such as, password access and relevant software to restrict information access to authorized persons only	38(19)	62(31)	15(7.5)	53(26.5)	32(16)	78.004	0.028

It is evident from the results in Table 4.5 that there was adequate segregation of duties among staff in most (46.8%) Saccos. However, in most Saccos, the various managements did not carry out frequent job rotations to ensure that all employees are assigned to different tasks (40.5%). This could be attributed to the belief that individuals could be most productive in their areas of competence. Most (62.5%) Saccos, it emerged, had put in place adequate procedures to carry out internal checks, such as, authorizations and verifications for every transaction. The findings also suggest that in most (32%) Saccos, due diligence was not accorded to the recommendations of internal audit reports, though every effort was made to ensure that all financial books were in order for external audit (52.5%). This suggests that most Saccos tended to rely on external audit reports that internal audit reports probably due to staff competence. Other findings also suggest that most (31%) of the Saccos had installed appropriate ICT controls, such as, password access and other

relevant software to restrict information access to authorized persons only. These findings generally imply that while most of the Saccos sought to enhance internal controls activities through the establishment of protocols to restrict information flow to only authorized persons, they were lacking in terms of staff competence. These findings suggest that internal control activities in the Saccos were being carried out well, however, there was lack of faith in the internal audit and thus most did not adhere to the recommendations of the internal audit. The findings agreed with Ike (2006) who found that among the challenges small organizations like Saccos face in their control activities were recruiting and retaining qualified employees, this leads to mediocrity in the work place and lack of faith in the ability of the staff. The findings, also agreed with Ochoge (2011) who established that there was a positive association between control activities and financial performance of organizations.

4.2.5 Risk assessment and the financial performance of Saccos

The third objective of the study was to establish how risk assessment affects the financial performance of Saccos in Nakuru County. This objective was measured by asking the respondents to react to various statements describing risk assessment practices in their Saccos. It rated on a 5 point Likert scale ranging from; 1 = strongly agree to 5 = strongly disagree. These results are presented in Table 4.6.

Table 4. 6: Risk assessment and the financial performance of Saccos

Statement	SA Freq(%)	A Freq(%)	N Freq(%)	D Freq(%)	SD Freq(%)	χ^2	P- value
We carry out constant reviews and analysis of program operations to determine the risks levels	14(11)	25(31)	10(12.6)	30(37.5)	21(17)	96.164	0.001
Our staff are well trained in credit risk management	27(13.3)	50(25)	34(17)	62(30.7)	28(14)	105.189	0
Our staff are well trained in market risk assessment	18(8.8)	54(27)	9(11)	34(42.5)	21(26)	124.697	0
Our financial management practices helps our Sacco to avoid liquidity risk	67(33.5)	42(21)	10(5)	63(31.5)	18(9)	122.177	0
All our investments are thoroughly assessed for their risk-return performance	24(11.8)	65(32.5)	28(14)	47(23.6)	36(18.1)	94.555	0.001
We make adequate provisions such as, premiums to compensate for the risks	7(3.5)	93(46.5)	9(4.5)	84(42.3)	8(3.8)	137.015	0
We employ scientific appraisal and management of risks	37(18.5)	52(26)	10(5)	65(32.5)	36(18)	122.177	0

The results in Table 4.6 indicate that most (37.5%) of the Saccos did not carry out constant reviews and analysis of program operations to determine the risks levels. This could be attributed to the finding that in most (30.7%) Saccos, the staff were not well trained in credit risk management or market risk assessment (42.5%). However, other financial management practices in most (33.5%) Saccos helped to avoid the liquidity risk. It is also evident that in most (32.5%) Saccos, all investments were thoroughly assessed for their risk-return performance. However, this was not done internally as they lacked the capacity to do so and instead relied on hired consultants. Based on these assessments, they were able to make adequate provisions such as, premiums to compensate for the risks (46.5%). The findings also indicate that most (32.5%) did not employ scientific appraisal and management of risks. It can be deduced from these findings imply that in general, the risk management practices in the Saccos was unsatisfactory. These findings agree with Muraleetharan, (2011) whose research on the impact of internal controls on financial performance of an organization established that the better the "performance of risk assessment " the

greater the financial performance. Jones (2008) also described risk assessment as the identification, evaluation and management of risks. He further notes that risks can relate, to financial statement fraud or to the misappropriation of assets.

4.2.6 Information and communication and the financial performance of Saccos

The fourth objective of this study was to determine how information and communication affects the financial performance of Saccos in Nakuru County. To measure the influence of this objective, the respondents were asked to respond to several statements pertaining to information and communications use in their Saccos and their effects on their financial performance. rated on a 5 point Likert scale ranging from; 1 = strongly agree to 5 = strongly disagree. These results are presented in Table 4.7.

Table 4. 7: Information and communication and the financial performance of Saccos

Statement	SA Freq(%)	A Freq(%)	N Freq(%)	D Freq(%)	SD Freq(%)	χ^2	P- value
Open lines of communication is encouraged at all levels in our organization	5(2.5)	100(49.8)	14(7)	47(23.6)	34(17.1)	137.015	0
Our management practice demand that all relevant information is conveyed in accurate, clear and reliable manner	27(13.4)	66(32.6)	20(10)	56(27.9)	32(16)	124.697	0
We strive to ensure that all relevant information is conveyed in a timely manner	42(21)	64(31.7)	24(12)	47(23.3)	24(12)	96.164	0.001
The management of our organization is highly accessible to all	38(19)	45(22.4)	24(11.8)	66(32.6)	29(14.2)	94.555	0.001
Our management encourages the capturing of information where possible for future deliberations	29(14.5)	77(38.3)	15(7.6)	44(22.1)	35(17.5)	137.015	0
Sharing of information across departments is not encouraged in our organization	16(8.1)	52(26)	38(19)	68(34)	26(12.9)	124.697	0
Communications feedback is poor in our organization	20(10)	51(25.5)	29(14.4)	81(40.4)	19(9.7)	96.164	0.001
We make full use of information and communications technology for better correspondence	34(17)	71(35.5)	29(14.6)	62(31)	34(17)	96.896	0.001

Looking at the findings in Table 4.8, it is evident that open communication was encouraged at all levels in most (49.8%) Saccos. The various Saccos managements demanded that all relevant information be conveyed in accurate, clear and reliable manner (32.6%) and also in a timely manner (31.7%). However, the findings interestingly reveal that most (32.6%) Saccos managements were not highly accessible to all. The findings also suggest that majority (38.3%) of the various Saccos managements encouraged the capturing of information where possible for future deliberations and also encouraged sharing of information across departments (34%). This had improved communications feedback in the Saccos (40.4%). The findings also suggest that most (35.5%) Saccos made full use of information and communications technology for better correspondence. Thus, these findings suggest that the communications practices in the Saccos were generally good although this did not necessarily mean that there was adequate interaction among the staffs. The findings agree with COSO (2004) who found that open channels of communication are necessary to allow information to flow throughout the entity and into the financial statements and therefore management should discuss the identification, capture, and flow of financial information in its report. Gaskill (2000) identified information and communication component as the identification, capture, and communication of pertinent information in an appropriate form and timeframe to accomplish the financial reporting objectives.

4.2.7 Monitoring activities and the financial performance of Saccos

The fifth objective of the study was to establish how monitoring activities have affected the financial performance of Saccos in Nakuru County. This objective was measured by asking the respondents to react to various statements describing the monitoring activities in their Sacco. It rated on a 5 point Likert scale ranging from; 1 = strongly agree to 5 = strongly disagree. These results are presented in Table 4.8.

Table 4. 8: Monitoring activities and the financial performance of Saccos

Statement	SA Freq(%)	A Freq(%)	N Freq(%)	D Freq(%)	SD Freq(%)	χ^2	P- value
We carry out periodic monitoring of the internal controls put in place for their effectiveness	22(11)	99(49.2)	17(8.6)	49(24.5)	14(7)	96.164	0.001
Our monitoring ensures that recommended improvements to internal control suggested from risk assessment are enforced	31(15.6)	74(36.6)	33(16.4)	50(25)	13(6.5)	124.697	0.028
During monitoring, all redundant procedures and practices are often replaced to ensure efficiency	5(2.5)	98(48.8)	10(5.0)	80(40.0)	8(3.8)	109.239	0
We designate different personnel to carry out monitoring at different departments	42(21)	67(33.5)	14(7)	59(29.5)	18(9)	104.555	0
We do prepare comprehensive reports on our monitoring activities	34(17)	79(39.5)	25(12.6)	62(31)	30(15)	96.896	0.001
All monitoring reports are often acted on in time	29(14.5)	66(32.6)	35(17.6)	45(22.4)	26(12.9)	122.177	0.001

Regarding monitoring activities, the results in Table 4.8 indicate that in most (49.2%) Saccos, periodic monitoring of the internal controls was carried out to ascertain their effectiveness. Ideally, this was done to ensure that recommended improvements to internal control suggested from risk assessment were enforced (36.6%). The findings also indicate that during monitoring, all redundant procedures and practices in the Saccos were often replaced to ensure efficiency (48.8%). In most (33.5%) of the Saccos, different personnel were designated to carry out monitoring at different departments and prepare comprehensive reports from their monitoring activities (39.5%). All monitoring reports were often acted on in time (32.6%). It is evident from these findings that there was a lot of emphasis on monitoring activities in the Saccos. These findings concur with those of Muraleetharan (2011) who monitoring as an internal control element had a significant impact on financial performance. According to Williams (2005), monitoring entails the activities and procedures designed to assess the effectiveness of the internal control system in achieving the entity's financial reporting objectively. Monitoring activities may be ongoing or may

be separate evaluations and it is important given the complex and dynamic environments faced by most organizations (Henle, 2005).

4.2.8 Financial Performance of Saccos in Nakuru County

Finally, the study sought to determine the financial performance of the Saccos in the study area. This was the dependent variable and was measured by asking the respondents to respond to various statements describing the financial status of their Saccos. The status of this variable was rated on a 5 point Likert scale ranging from; 1 = strongly agree to 5 = strongly disagree. These results are presented in Table 4.9.

Table 4. 9: Financial Performance of Saccos in Nakuru County

Statement	SA Freq(%)	A Freq(%)	N Freq(%)	D Freq(%)	SD Freq(%)	χ^2	P-value
We have been experiencing growth in terms of revenues and membership in the last four years	22(10.9)	71(35.2)	36(18)	43(21.4)	29(14.5)	112.13	0.001
Our income from subscriptions have been increasing in the last four years	42(20.7)	69(34.5)	32(15.7)	43(21.4)	15(7.7)	117.02	0.000
Our increasing gross profit margins have enabled us to increase our working capital base	13(6.7)	88(43.7)	7(3.6)	77(38.4)	15(7.7)	94.26	0.002
We have been able to increase our asset base to meet the diverse client needs	31(15.6)	73(36.5)	33(16.4)	51(25.5)	13(6.5)	106.7	0.028
Our gains from investment have been increasing marginally with unit costs of investment	6(3)	95(47.5)	10(5.0)	82(41)	8(3.8)	133.015	0.000
Our organization has accrued less debts in the last 2 years compared to the past	16(8.1)	53(26.5)	38(19)	66(33)	29(14.2)	99.81	0.000

The findings in Table 4.9 indicate that majority (35.5%) of the Saccos have experience growth in terms of revenues and membership in the last four years. In most (34.5%), the income from subscriptions had been increasing in the last four years. The findings also indicate that increasing gross profit margins in the Saccos had enabled them to increase their working capital base (43.7%). In addition, the findings

indicate that most Saccos had been able to increase their asset base to meet the diverse client needs (36.5%). Concerning operational costs, it emerges from the findings that the gains from investment had been increasing marginally with unit costs of investment in most Saccos implying that the Saccos were posting impressive returns on investment. However, the findings indicated that majority (33%) of the Saccos had not increased their operational efficiencies as evident in the findings on the construct, “our Sacco has accrued less debts in the last 2 years compared to the past”. Thus, most of the Saccos were yet to reduce their levels of liabilities. These findings generally suggest that there had been some considerable gains in the financial performance of the Saccos, however, there were still a lot of liabilities probably arising from poorly performing or non-performing assets. The results agree with Kimani (2011) that the Sacco sub-sector in this country has witnessed rapid growth in the last few years. According to ICA (2011), the savings mobilization by Saccos represents 31 percent of the national savings. Thus, the Saccos continue to play a great role in mobilization of financial resources and will be a major player in the realization of Kenya’s Vision 2030 (ICA, 2011).

4.3 Inferential Statistics

To evaluate the relationships between the dependent and independent variables, correlation and multiple regression analysis was done and the findings presented in the following subsections.

4.3.1 Correlation Analysis

In this subsection a summary of the correlation analyses is presented. It seeks to first determine the degree of interdependence of the independent variables and also show the degree and strength of their association with the dependent variable separately. The significance of the correlations was determined at $p \leq 0.05$. The results are summarized in Table 4.10.

Table 4. 10: Summary of Correlations

		Control Environment	Control Activities	Risk Assessment	Information & Comms	Monitoring Activities	Financial Performance
Control Environment	Pearson Correlation	1					
	Sig. (2-tailed)	0					
Control Activities	Pearson Correlation	0.159	1				
	Sig. (2-tailed)	0.205	0				
Risk Assessment	Pearson Correlation	0.297	0.182	1			
	Sig. (2-tailed)	0.11	0.158				
Information & Comms	Pearson Correlation	0.193	0.388	.299	1		
	Sig. (2-tailed)	0.085	0.138	0.001			
Monitoring Activities	Pearson Correlation	0.688	0.175	0.424	.427	1	
	Sig. (2-tailed)	0.421	0.001	0.135	0.02		
Financial Performance	Pearson Correlation	0.596	0.444	0.349	0.602	0.709	1
	Sig. (2-tailed)	0.005	0.001	0.001	0.0001	0.0001	

Correlation is significant at the 0.01 level (2-tailed).

The first correlation was done to determine whether the control environment significantly affected the financial performance of Saccos in Nakuru County. The results in Table 4.10 shows that a significant relationship ($r = 0.596$, $p \leq 0.05$) existed between the variables. The high Pearson's product moment coefficient of correlation indicated that a strong relationship existed between the variables suggesting that a controlled internal operating environment was important for the Saccos internal performance.

The study also sought to determine whether control activities significantly affected the financial performance of Saccos in the area. The correlation results in Table 4.10 indicates that a significant relationship ($r = 0.444$, $p \leq 0.05$) existed between the variables. The Pearson's product moment coefficient of correlation is high and suggests that a strong relationship existed between the variables. This shows that control activities in the Saccos were indeed important to the financial health of the Sacco's

It was also important to determine whether risk assessment significantly affected the

financial performance of Saccos in Nakuru County. The correlation analysis in Table 4.10 indicates that there was indeed a significant relationship ($r = 0.349$, $p \leq 0.05$) between the variables. The result suggests that given the way things were at the moment, the risk assessment could only moderately affect the financial performance of the Saccos.

There was need to determine whether information and communications significantly affected the financial performance of Saccos in Nakuru County. It is evident from the correlation results in Table 4.10 that a significant relationship ($r = 0.602$, $p \leq 0.05$) existed between the variables. The Pearson's product moment coefficient of correlation is high and suggesting that the way information and communications were practiced in the Saccos considerably affected their financial performance.

Finally, the study also sought to establish whether monitoring activities significantly affected the financial performance of Saccos in Nakuru County. The results from the correlation analysis in Table 4.10 shows a significant relationship exists ($r = 0.709$, $p \leq 0.05$). The very strong relationship between the variables demonstrate the importance of monitoring in streamlining and strengthening the performance of the Saccos in the area and their sustainability.

4.3.2 Regression Analysis

Multivariate regression analysis was used to determine the significance of the relationship between the dependent variable and all the independent variables pooled together. This analysis was used to answer the questions; how do the independent variables influence the dependent variable collectively; to what extent does each independent variable affect the dependent variable in such a collective set-up, and; which are the more significant factors?

The results are given in the model summary in Table 4.11

Table 4. 11: Multivariate linear regression analysis model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.806 ^a	0.6496	0.6406	1.6511

a. Predictors: (Constant), Financial Performance of Saccos

b. Predictors: (Constant), control environment, control activities, risk assessment, information and communications, monitoring activities

The results in Table 4.11 show that the value obtained for R, which is the model

correlation coefficient was $r = 0.806$ which was higher than any zero order value in the table. This indicates that the model improved when more variables were incorporated when trying to determine the effect of internal controls on financial performance of Saccos in Nakuru County. The adjusted r square value of, $r = 0.6496$, also indicates that the regression model could explain for approximately 65% of the variations in the Saccos. To answer the question about which of the independent variables is more important in influencing the sustainability of the Saccos, the beta value was used and the results of this are as summarized in Table 4.12.

Table 4. 12: Multiple linear regression results

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	13.235	4.126		2.874	0.225		
Control Environment	0.568	0.06	0.527	4.27	0.012	0.806	1.241
Control Activities	0.436	0.301	0.407	1.857	0.002	0.864	1.158
Risk Assessment	0.332	0.085	0.295	8.188	0.003	0.95	1.053
Information & Comms	0.597	0.054	0.585	3.546	0.001	0.824	1.213
Monitoring Activities	0.693	0.177	0.669	2.456	0.001	0.718	1.117

Dependent Variable: Financial Performance of Sacco's

The results in Table 4.12 indicate that the most important internal control factor in the financial performance of Saccos in the study area was monitoring activities ($\beta = 0.669$). This was followed by information and communications, control environment, control activities and risk assessment in that order. The beta values for these variables $\beta = 0.585$, $\beta = 0.527$, $\beta = 0.407$ and $\beta = 0.295$ respectively indicate that the dependent variable, that is, financial performance of Saccos would change by a corresponding number of standard deviations when the respective independent variables change by one standard deviation. Therefore, the internal control factors were seen to positively affect the financial performance of Saccos in Nakuru County and are, therefore, important and should be maintained in order to achieve consistent financial performance. These findings agreed with those of Ochoye (2011) and Muraleetharan (2011) that there was a significant positive relationship between internal control and organizational performance.

The results of the ANOVA performed on the independent and dependent variables are summarized in Table 4.13.

Table 4.13: Summary of ANOVA

Source of variations	Sum of Squares	df	Mean Square	F	Sig.
Regression	514.335	5	102.867	42.210	0.000
Residual	475.225	195	2.437		
Total	989.560	200			

The results of Table 4.13 indicate that there is a significant difference between means of internal control factors and the financial performance of Saccos in the study area. ($F_o = 42.210 > F_c = 2.27$; $\alpha < 0.05$; $df = 5, 195$; $p = 0.000$). This finding confirms the finding suggested by Table 4.12. The study therefore establishes that control environment, control activities, risk assessment, information and communications and monitoring activities were all significant internal factors affecting the financial performance of Saccos in the study area. This means that all these factors made a notable difference in the financial performance of Saccos in the study area and needed to be given more attention.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes and concludes on the research findings as carried out. It presents the summary of the findings and the conclusions drawn from them, and lastly the recommendations. The implications of the research are discussed and suggestions made on areas of further study. Some useful recommendations for all the stakeholders are proposed by this study at the end of the chapter to enlighten and enable them to craft viable solutions with regard to the problem statement based on the research findings.

5.2 Summary of the Findings

This section presents the summary of the findings in terms of the objectives, the types of analysis and the major findings of the research. The present study sought to determine the effect of internal control on financial performance in Saccos in Nakuru County. To gain insight into this, the study sought to establish how; control environment, control activities, risk assessment, information and communications and monitoring activities affected the financial performance in Saccos in the area. Results from multiple regression analysis indicate that all the independent variables combined could explain up to 65% of the variations in the financial performance in Saccos in the area.

The first objective of the study was to determine how control environment affects the financial performance of Saccos in Nakuru County. The findings revealed that most of the Saccos had adequate communication and enforced integrity and ethical values. Most Saccos also appeared to comply well with the regulators demands for staff competence and corporate governance as evidenced by the findings indicating that most managements were committed to ensuring employee competence in financial matters and also participated well enough in their Saccos governance activities. The findings also revealed that most Saccos' organization structures had well established lines of reporting and decision making hierarchies and properly assigned authority and responsibility to qualified individuals. They also had well designed human resource policies that were easy to implement and practice.

With regard to the effect of control activities on the financial performance of Saccos in Nakuru County which was the second objective of this study, it was established that there was adequate segregation of duties among staff in most Saccos. However, in most Saccos, the various managements did not carry out frequent job rotations to ensure that all employees are assigned to different tasks. It also emerged that most Saccos had put in place adequate procedures to carry out internal checks, such as, authorizations and verifications for every transaction. The findings also revealed that in most Saccos, due diligence was not being accorded to the recommendations of internal audit reports, though every effort was being made to ensure that all financial books were in order for external audit. The Saccos had installed appropriate ICT controls, such as, password access and other relevant software to restrict information access to authorized persons only.

The third objective of the study was to establish how risk assessment affects the financial performance of Saccos in Nakuru County. It was established that most of the Saccos did not constantly review and analyse program operations to determine the risks levels. It also emerged that majority of the Saccos staff were not well trained in credit risk management or market risk assessment. However, use of other financial management practices apart from risk management helped to avoid the liquidity risk. In most Saccos, all investments were thoroughly assessed for their risk-return performance using hired consultants and through these assessments; they were able to make adequate provisions such as, premiums to compensate for the risks. The findings also revealed that most Saccos did not employ scientific appraisal and management of risks.

Concerning the effects of information and communication on the financial performance of Saccos in Nakuru County, it was established that open communication was encouraged at all levels in most of the Saccos. The various Saccos managements demanded that all relevant information be conveyed in accurate, clear and reliable manner and also in a timely manner. The findings also revealed that majority Saccos managements encouraged the capturing of information where possible for future deliberations and also encouraged sharing of information across departments. This had improved communications feedback in the Saccos as they

made full use of information and communications technology for better correspondence.

Finally, with regard to the effects of monitoring activities on the financial performance of Saccos in Nakuru County, the findings revealed that in most Saccos, periodic monitoring of the internal controls was carried out to ascertain their effectiveness. This was ideally done to ensure that recommended improvements to internal control suggested from risk assessment were enforced. The findings also revealed that during monitoring, all redundant procedures and practices in the Saccos were often replaced to ensure efficiency. In addition, in most of the Saccos, different personnel were designated to carry out monitoring at different departments and prepare comprehensive reports from their monitoring activities.

5.3 Conclusions

Based on the results of this study, it can be concluded that concerning the effects of the control environment on the financial performance of Saccos, the control environment reinforced corporate governance practices that ultimately led to improved financial performance. With regard to the effect of control activities on the financial performance of Saccos in Nakuru County which was the second objective of this study it was evident that most Saccos tended to rely on external audit reports than internal audit reports. Thus, while most of the Saccos sought to enhance internal controls activities through the establishment of protocols to restrict information flow to only authorized persons, they were lacking in terms of staff competence. Concerning the effects of risk assessment on the financial performance of Saccos in Nakuru County, it can be concluded that in general, the risk management practices in the Saccos was unsatisfactory. In relation to the effects of information and communication on the financial performance of Saccos in Nakuru County, it was evident that the communications practices in the Saccos were generally good although this did not necessarily mean that there was adequate interaction among the staffs. Lastly, it can be concluded that monitoring activities considerably affected the financial performance of Saccos as there was a lot of emphasis on monitoring activities in the Saccos.

5.4 Recommendations

The following recommendations are drawn with regard to the study findings.

- i. Concerning the the control environment in the Saccos, there is need for the managements to properly assign authority and responsibility to qualified individuals as there was a lot of uncertainty surrounding this aspect than other aspects of the the control environment.
- ii. In relation to Sacco control activities, there should be more emphasis on diligently complying with the recommendations of the internal audit report as they understood the Saccos internal operations better than the outsiders.
- iii. Third, with regard to risk assessment practices in the Saccos, there is need to avail more risk assessment training to the staff and also equip them with scientific tools to carry out this task.
- iv. Fourth, concerning information and communications, it is recommended that the Saccos management make themselves more readily available to their staffs since some problems and other emerging issues can be best solved through one-on-one communications with the staffs and other management members.
- v. Lastly, during monitoring, all redundant procedures and practices should be often replaced to ensure efficiency as there was also a lot of uncertainty whether this was done as suggested.

5.5 Suggestions for Further Study

The following areas are recommended for further research;

The findings were limited to the internal control factors affecting the financial performance of Saccos in Nakuru County and these accounted for about two thirds of the factors affecting the financial performance of the Saccos. Thus, it is recommended that more research should be carried out to determine the influence of other factors affecting their financial sustainability. Some of the factors can be in relation to economic factors, competition, communications infrastructure and tax policies. This would enable the researchers to mitigate effects of such factors and hence enhance the sustainability of Saccos in Kenya. Other areas that further research can be conducted include the effect of SASRA regulations on the organizational culture of Saccos and the factors affecting corporate governance in Saccos in Kenya.

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APPENDIX 1: LETTER OF RESPONDENTS

Ruth Marita.

P. O. Box 12460 - 20100, Nakuru.

30th November 2014.

Through the Dean, Kabarak University.

Faculty of Business Studies.

Nakuru Town Campus, Nakuru.

Dear Respondent,

RE: RESEARCH PROJECT:

I am a student of Kabarak University, Nakuru Town Campus, pursuing a Masters Degree in Business Administration, specializing in Finance Option. I am currently carrying out a research on: **Effects of Internal Control as a Tool for Efficient Management: A Survey of Saccos in Nakuru County.**

The purpose of this questionnaire is to gather information from the respondents regarding the effects of internal control as a tool for efficient management of Saccos in this area.

It targets responses from the Saccos' employees who are working at their Nakuru branches. That is, the current staff members whose workstations are within Nakuru Town.

Yours Sincerely,

Ruth Marita.

APPENDIX 2: RESEARCH QUESTIONNAIRE

I am a student pursuing a Masters of Business Administration at Kabarak University, Nakuru Town Campus. To fulfill the requirement for the award of the degree, I have to undertake a research project and write a report. I am carrying out a survey to get the views of Saccos employees about the **Effects of Internal Control on the financial performance of saccos: A Survey of Saccos in Nakuru County.**

The questionnaire serves the purpose of collecting data in my area of study. Your views will be treated in strict confidence and shall only be used for the purpose of this study. Please, answer the questions as accurately and honestly as possible. Do not write your name on the questionnaire. Thank you in advance for your time and cooperation.

SECTION A: Back ground information

1. Gender of the respondent

Male

Female

2. Age bracket of the respondent

18 to 25 years

25 to 35 years

36 to 45 years

40 to 55 years

Above 55 years

3. Education level of the respondent

a) O-level

b) College / vocational level

c) University graduate level

d) University post graduate level

4. For how long have you been working for your organization?

Less than 2 years

2 years to less than 5 years

5 years less than 10 years

10 years to less than 15 years

Above 15 years

5. What is the current size of the membership at your branch

- Less than 250 members
- 250 members to less than 500
- 500 members to less than 750
- 750 members to less than 1000 members
- 1,000 members or over

6. How long has your Sacco been in existence in the area

7. Kindly, give an approximate figure of your current loan portfolio in the last 12 months

- Less than 10 million
- 10 million to less than 50 m
- 50m and above

SECTION B: Control Environment

The following are statements related to how control environment affects the financial performance in your Sacco. Please rate them according to your understanding by ticking (✓) where it is appropriate.

Key: SA=Strongly Agree; A=Agree; N=Neutral; D=Disagree and SD=Strongly Disagree

Statement s	SD	D	N	A	SA
There is adequate communication and enforcement of integrity and ethical values in our Sacco					
Our Sacco management is committed to ensuring employee competence in financial matters					
There is enough participation in our Saccos activities by those charged with governance					
Our management’s philosophy and operating style foster’s the Saccos advancement while upholding rules and regulations					
Our Saccos’ organization structure has well established lines of reporting and decision making heirachies					
The management of our Sacco properly assigns authority and responsibility to qualifies individuals					
We have well designed human resource policies that are easy to implement and practice in our Sacco					

SECTION C: Control Activities

The following are statements related to how control activities affect the financial performance of Saccos. Please rate them according to your understanding by ticking (√) where it is appropriate.

Key: SA=Strongly Agree; A=Agree; N=Neutral; D=Disagree and SD=Strongly Disagree

Statement s	SD	D	N	A	SA
There is adequate segregation of duties among staff in our organization					
Our Sacco’s management carries out frequent job rotations to ensure that all employees are assigned to different tasks					
Our Sacco has in place adequate procedures to carry out internal checks, such as, authorizations and verifications for every transaction					
We diligently comply with the recommendations of our internal audit report					
We make every effort to ensure that all our financial books are in order for external audit					
We has installed appropriate ICT controls, such as, password access and relevant software to restrict information access to authorized persons only					

SECTION D: Risk Assessment

The following are statements related to how risk assessment affects the financial performance of Saccos. Please rate them according to your understanding by ticking (√) where it is appropriate.

Key: SA=Strongly Agree; A=Agree; N=Neutral; D=Disagree and SD=Strongly Disagree

Statement s	SD	D	N	A	SA
We carry out reviews and analysis of program operations to determine the risks levels					
Our staff are well trained in credit risk management					
Our staff are well trained in market risk assessment					
Our financial management practices helps our Sacco to avoid					

liquidity risk					
All our investments are thoroughly assessed for their risk-return performance					
We make adequate provisions such as, premiums to compensate for the risks					
We employ scientific appraisal and management of risks					

SECTION E: Information and communication sharing

The following are statements related to how information and communication affects the financial performance of Saccos. Please rate them according to your understanding by ticking (√) where it is appropriate.

Key: SA=Strongly Agree; A=Agree; N=Neutral; D=Disagree and SD=Strongly Disagree

Statement s	SD	D	N	A	SA
Open lines of communication is encouraged at all levels in our organization					
Our management practice demand that all relevant information is conveyed in accurate, clear and reliable manner					
We strive to ensure that all relevant information is conveyed in a timely manner					
The management of our organization is highly accessible to all					
Our management encourages the capturing of information where possible for future deliberations					
Sharing of information across departments is not encouraged in our organization					
Communications feedback is poor in our organization					
We make full use of information and communications technology for better correspondence					

SECTION F: Monitoring Activities

The following are statements related to how monitoring activities have affected the financial performance of Saccos. Please rate them according to your understanding by ticking (√) where it is appropriate.

Key: SA=Strongly Agree; A=Agree; N=Neutral; D=Disagree and SD=Strongly Disagree

Statements	SD	D	N	A	SA
We carry out periodic monitoring of the internal controls put in place for their effectiveness					
Our monitoring ensures that recommended improvements to internal control suggested from risk assessment are enforced					
During monitoring, all redundant procedures and practices are often replaced to ensure efficiency					
We designate different personnel to carry out monitoring at different departments					
We do prepare comprehensive reports on our monitoring activities					
All monitoring reports are often acted on in time					

SECTION G: FINANCIAL PERFORMANCE

Please rate how you agree with the following statements regarding the performance of you organizations. (tick as appropriate)

Key: SA=Strongly Agree; A=Agree; N=Neutral; D=Disagree and SD=Strongly Disagree

Statements	SD	D	N	A	SA
We have been experiencing growth in terms of revenues and membership in the last four years					
Our income from subscriptions have been increasing in the last four years					
Our increasing gross profit margins have enabled us to increase our working capital base					
We have been able to increase our asset base to meet the diverse client needs					
Our gains from investment have been increasing marginally with unit costs of investment					
Our organization has accrued less debts in the last 2 years compared to the past					

APPENDIX 3: LIST OF LICENSED SACCOS IN NAKURU COUNTY

S/NO.	NAME OF SOCIETY	LOCATION	ACTIVITY	STATUS
1	Ahlut Bait	Bondenii	Sacco	Active
2	Achievers Schools	Sec. 58	Sacco	Active
3	Bhogana	Industrial Arrea	Sacco	Active
4	Bitti	Industrial Arrea	Sacco	Active
5	Blanket	Lanet	Sacco	Active
6	Baprono	Industrial Arrea	Sacco	Active
7	Buds & Blooms	Lanet	Sacco	Active
8	Bahama Sita Travellers	Sokoni Plaza	Sacco	Active
9	Bon	Bontana Hotel	Sacco	Active
10	Base Heart	free Area	Sacco	Active
11	Barut Rural	Barut	Sacco	Active
12	Cosmolitan	Nakuru Plaza	Sacco	Active
13	CPK Watumishi	CPK Cathedral	Sacco	Active
14	capro	Industrial Arrea	Sacco	Active
15	carol	Industrial Arrea	Sacco	Active
16	child Care international	Sec. 58	Sacco	Active
17	Comply Staff	Industrial Arrea	Sacco	Active
18	Continental Kisii Nissan	Sokoni Plaza	Sacco	Active
19	Conquerers Women Jua Kali	free Area	Sacco	Active
20	Central Rift PSV-Transporters	Gate House	Sacco	Active
21	Eros Hotel	Kanu Street	Sacco	Active
22	Equatyor Line	Carnitation Hotel	Sacco	Active
23	Flamingo	Free Area	Sacco	Active
24	Fibres	Lanet	Sacco	Active
25	Flava	Free Area	Sacco	Active
26	Fags	Industrial Arrea	Sacco	Active
27	Fawa	Kiamunyi	Sacco	Active
28	F.M.D	Industrial Arrea	Sacco	Active
29	Free Area Travellers	Gray House	Sacco	Active
30	Glory Growing	Pangani	Sacco	Active
31	Hibred	Industrial Arrea	Sacco	Active
32	Harak	KFA	Sacco	Active
33	Highbury	Free Area	Sacco	Active
34	Hope & Vision	Mache Plaza	Sacco	Active
35	Joy Brothers Transport	Mwariki	Sacco	Active
36	Kavu	Greensted	Sacco	Active
37	KPAWU	Mache Plaza	Sacco	Active
38	k.f.a.	K.F.A. House	Sacco	Active
39	Kisii Nissan	Sokoni Plaza	Sacco	Active
40	Kutana	Mantani	Sacco	Active
41	Kenlands	Shabab	Sacco	Active
42	Kianjoya Line	Sec. 58	Sacco	Active
43	2 K N N	Camel House	Sacco	Active
44	Kenya Business Com.	Sec. 58	Sacco	Active
45	Kanu Street Travellers	Camel House	Sacco	Active
46	Lonalo	National Park	Sacco	Active
47	Lamsons Staff	Industrial Arrea	Sacco	Active
48	Lesiolo Grain Growers	Pipeline	Sacco	Active

49	Lanet Group	Sokoni	Sacco	Active
50	Mbolea	Industrial Arrea	Sacco	Active
51	Midland	Midland Hotel	Sacco	Active
52	Machinery Services	Biashara Street	Sacco	Active
53	Malvin	Sec. 58	Sacco	Active
54	Mustardseed	Kiamunyi	Sacco	Active
55	Merica	Merica Hotel	Sacco	Active
56	Mau Narok Nissan	Gate House	Sacco	Active
57	Uncab Sacco	Industrial Arrea	Sacco	Active
58	Menyerera Sacco	KITI	Sacco	Active
59	Mwanga Youth	Lanet	Sacco	Active
60	Merizon	Mea Building	Sacco	Active
61	Mjengo	Free Area	Sacco	Active
62	Mwaki Travellers	Sikpark View	Sacco	Active
63	Medy	Gray House	Sacco	Active
64	Muwa Enterprise	Langa Langa	Sacco	Active
65	Mali Friends	Rhonda	Sacco	Active
66	Nasu Travellers	Pinkam House	Sacco	Active
67	3N-To	Biashara Complex	Sacco	Active
68	Nakuru Rural	Free Area	Sacco	Active
69	Njoro Line	Pinkan House	Sacco	Active
70	Ramama	Main Stage - Nku	Sacco	Active
71	Sports Club	Rift Valley Sports Club	Sacco	Active
72	Spin Knit	Industrial Area	Sacco	Active
73	Shirikisho	Shirikisho Hotel Bldg	Sacco	Active
74	Supa	Rhonda	Sacco	Active
75	Salini	Nku National Park	Sacco	Active
76	Shield	Shabab	Sacco	Active
77	Sunrise	Bondeni	Sacco	Active
78	Shah Academy	Industrial Area	Sacco	Active
79	Shabab Matatu Operators	Main terminal (Shabab)	Sacco	Active
80	Smartline	Matatu Main Stage	Sacco	Active
81	Stage Mat. Travellers	Matatu Main Stage	Sacco	Active
82	St. Monica Catholic Parish	Section 58	Sacco	Active
83	Sima	Mache Plaza	Sacco	Active
84	Solai Line	Main Stage	Sacco	Active
85	Scode	Shabab	Sacco	Active
86	Tupendane	Vickers Bldg	Sacco	Active
87	Tusitengane	Municipal	Sacco	Active
88	Ugali	Industrial Area	Sacco	Active
89	Ukombozi	Deliverance Church	Sacco	Active
90	Unity Traders	Sokoni Plaza	Sacco	Active
91	United Digital	Naka	Sacco	Active
92	Victoria Transporters	Main Stage	Sacco	Active
93	Wakarimu	CDN Plaza	Sacco	Active
94	Water Buck	Water Buck Hotel	Sacco	Active
95	Wanataifa Youth	Kenyatta Avenue	Sacco	Active
96	Wabcom	Kenyatta Avenue	Sacco	Active
97	Young Enterprise	Industrial Area	Sacco	Active
98	PCEA Nku West Uzima	Shabab	Sacco	Active
99	Pexnak	Shabab	Sacco	Active
100	PCMF Crater	Shabab	Sacco	Active
101	RVIST	Technology Farm	Sacco	Active

102	Rikikami	Kabarak	Sacco	Active
103	Riva	Town	Sacco	Active
104	Rock	Town	Sacco	Active
105	Roka	Town	Sacco	Active
106	Rocom	Town	Sacco	Active
107	Robmo	Town	Sacco	Active
108	Reality Nakuru	Town	Sacco	Active
109	Romesi	Town	Sacco	Active
110	Molo Liner	Pinkam Building	Sacco	Active
111	Molo Group	Sokoni Plaza	Sacco	Active
112	Mangu Line	Camel House	Sacco	Active

GILGIL SUB COUNTY

S/NO.	NAME OF SACCO	LOCATION	ACTIVITY	STATUS
1	Kasambara/Delamere Sacco	Mbaruk – Gilgil	Sacco	Active
2	Elepf Sacco	Elementaita – Gilgil	Sacco	Active
3	Fountain Springs Saco	Gilgil Town	Sacco	Active
4	Gilgil Motorbike Sacco	Gilgil Town	Sacco	Active
5	E20 Sacco	Eburru – Gilgil	Sacco	Active
6	Mama Milele Sacco	Gilgil Town	Sacco	Active
7	Ndume Sacco Soc Ltd	Ndume Company – Gilgil	Sacco	Active
8	Diatomite Sacco	Diatomite Company– Gilgil	Sacco	Active
9	Gilgil Hills Sacco	Hills School – Gilgil	Sacco	Active
10	Vision Afrika Sacco	Nakuru, Gilgil, Naivasha	Sacco	Active
11	Pembroke Employee	Pembroke School – Gilgil	Sacco	Active

SUBUKIA SUB -COUNTY

S/NO.	NAME OF SACCO	LOCATION	ACTIVITY	STATUS
1	Subuta Sacco	Subuti Farm	Sacco	Active
2	Ubukia Women District Sacco	Subukia	Sacco	Active

MOLO SUB COUNTY

S/NO	NAME OF SACCO	LOCATION	ACTIVITY	STATUS
1	Panacea Sacco	Jogoo Farm	Sacco	Active
2	Kamara Rural Sacco	Molo Town	Sacco	Active
3	Asante Sacco	Sakaitim Farm	Sacco	Active
4	Munyo Rural Sacco	Muchorwi Centre	Sacco	Active
5	Molo Umbrella	Molo Town	Boda Boda	Active
6	Bridge Women	Molo Town	Sacco	Active
7	Sokoro Sacco	Timsales	Sacco	Active
8	Molo T.Council	Molo T.Council	Sacco	Active
9	Sawu Sacco	St Andrews School	Sacco	Active
10	Namoki Sacco	Kepleft Stage	Sacco	Active
11	Molo T.A Sacco	Molo Stage	Sacco	Active
12	Molo Shuttle	Molo Stage	Sacco	Active

13	Molo Vision Transport	Kepleft Stage	Sacco	Active
14	Nakini Sacco	Molo Stage	Sacco	Active
15	Wings Women	Molo Town	Sacco	Active
16	Star Of Jesus	Molo Town	Sacco	Active
17	Elburgon Youth	Elburgon Town	Sacco	Active

RONGAI SUB COUNTY

S/NO.	NAME	LOCATION	ACTIVITY	STATUS
1	Ardesc	Salgaa	Sacco	Active
2	Rikikami Sacco	Kabarak High School	Sacco	Active
3	Kabarak University Sacco	Kabarak University	Sacco	Active
4	Migotiyo Workers	Alphega Sisal Estate	Sacco	Active
5	Godetia Sacco	Rongai	Sacco	Active
6	Rivst Sacco	Rift Valley Institute	Sacco	Active
7	Delorein Sacco	Rongai	Sacco	Active
8	Gone Fishing Sacco	Rongai	Sacco	Active
9	Rongai Line Sacco	Rongai	Sacco	Active
10	Menengai West Youth Sacco	Kambi Ya Moto	Sacco	Active
11	Ewalaa Sacco	Salgaa	Sacco	Active
12	Ragog Sacco	Gogar Farms-Rongai	Sacco	Active
13	Rongai Umoja Jua Kali Sacco	Kiamunyi	Sacco	Active

NAKURU NORTH SUB-COUNTY

NO.	NAME OF SOCIETY	WHERE LOCATED	ACTIVITY	STATUS
1	Kalaswa Sacco	Kari Lanet	Sacco	Active
2	Johehis Sacco	Bahati Market	Sacco	Active
3	Menyerera Sacco	Heshima Center North	Sacco	Active
4	Mirandi Sacco	Solai Market	Sacco	Active
5	Wote Tuinuane Sacco	Bahati Market Center	Sacco	Active
6	Morop Sacco	Bahati Market Center	Sacco	Active
7	Nakuru North Youth Sacco	Bahati Market Center	Sacco	Active
8	Tumaini 2012 Sacco	Lasit Tea Tactory	Sacco	Active
9	Tumaini Baraka	Heshima Centre	Sacco	Active
10	Daisy Bell Sacco	Bahati Centre	Sacco	Active
11	United Amani Sacco	Kiti Centre	Sacco	Active
12	Elders' Sacco	Heshima Centre	Sacco	Active
13	Youth Empowerment Sacco	Dundori Centre	Sacco	Active
14	Colour Crops Sacco	Bahati Market Center	Sacco	Active
15	2mtw Sacco	Pinkam Hse	Sacco	Active
16	Siba Youth Development Sacco	Maili Sita Mkt	Sacco	Active

KURESOI SUB COUNTY

S/NO.	NAME OF SOCIETY	LOCATION	ACTIVITY	STATUS
1	Olunguruone Tea Grower Ltd	Olunguruone Town	Sacco	Active
2	Keringet Keco Fosa	Keringet Center	Sacco	Active
3	Kuresoi Tea Grower S Ltd	Kuresoi Town	Sacco	Active
4	Keringet Potato Sacco	Keringet Center	Sacco	Active
5	Belliot Sacco Ltd	Kiptagich Tea Factory	Sacco	Active

NAIVASHA SUB-COUNTY

S/NO.	NAME OF SOCIETY	WHERE LOCATED	ACTIVITY	STATUS
1	Maendasa	Maeilla	Sacco	Active
2	Munyu Pyrethrum	Naivasha Ihindu	Sacco	Active
3	Green Park	North Lake	Sacco	Active
4	Oserian	South Lake	Sacco	Active
5	Sheracco	South Lake	Sacco	Active
6	Lake Hotels	South Lake	Sacco	Active
7	Pelican	South Lake	Sacco	Active
8	Verbena	South Lake	Sacco	Active
9	Panda	Naivasha Munic	Sacco	Active
10	Live Wire	Karate	Sacco	Active
11	Lolobus	Maai Mahiu	Sacco	Active
12	Wild Fire	South Lake	Sacco	Active
13	Shantara	South Lake	Sacco	Active
14	Starspy	Naivasha Munic	Sacco	Active
15	Herco	South Lake	Sacco	Active
16	Sanctuary	South Lake	Sacco	Active
17	Natogo	Naivasha Town	Sacco	Active
18	Nowe	Niavasha Munic	Sacco	Active
19	Ndare	South Lake	Sacco	Active
20	Melon	South Lake	Sacco	Active
21	Florenisis	South Lake	Sacco	Active
22	Nayopo	Naivasha Town	Sacco	Active
23	Bogot	Naivasha Munic	Sacco	Active
24	Nesa	South Lake	Sacco	Active
25	3n	Naivasha Town	Sacco	Active
26	Plant Factory	South Lake	Sacco	Active
27	Shalimar	North Lake	Sacco	Active
28	Bila Shaka	North Lake	Sacco	Active
29	Delamere	North Lake	Sacco	Active
30	Economic	Naivasha Town	Sacco	Active
31	Kijani	Naivasha Town	Sacco	Active
32	Sopa Resort	South Lake	Sacco	Active
33	Longhort	South Lake	Sacco	Active
34	Vandenberg	South Lake	Sacco	Active
35	Aquila	South Lake	Sacco	Active
36	Dairymen	Karati	Sacco	Active
37	Cruitti	Karati	Sacco	Active
38	Kanini Haraka	Naivasha Town	Sacco	Active
39	Savanna	South Lake	Sacco	Active
40	South Lake Travellers	South Lake	Sacco	Active
41	Geo Power	South Lake	Sacco	Active
42	Tiger Vision	Maai Mahiu	Sacco	Active
43	Loldia	South Lake	Sacco	Active
44	Tilela	North Lake	Sacco	Active
45	Niavasha Women	Naivasha Town	Sacco	Active
46	Freb	North Lake	Sacco	Active
47	Brixia	North Lake	Sacco	Active
48	Lenare	South Lake	Sacco	Active
49	Maua	Naivasha Munic	Sacco	Active
50	Krena	Naiavash Munic	Sacco	Active

51	Maridadi	Naivasha Munic	Sacco	Active
52	Groove	North Lake	Sacco	Active
53	Lormanana	South Lake	Sacco	Active
54	Eagle Shield	South Lake	Sacco	Active
55	Beauty Line	North Lake	Sacco	Active
56	Maruti	Naivasha Town	Sacco	Active
57	Tunza	Naivasha Munic	Sacco	Active
58	Upendo Vision	Naivasha Town	Sacco	Active
59	Support	South Lake	Sacco	Active
60	Sision Dairy & Pyrethrum	Kinungi	Sacco	Active
61	New Kasese	Naivasha Town	Sacco	Active
62	Karati	Naivasha Town	Sacco	Active
63	Naivasha Dtravellers	Naivasha Town	Sacco	Active
64	Blue Sky	Naivasha Town	Sacco	Active
65	Naivasha Townace	Naivasha Town	Sacco	Active
66	Lake Naivahs Youth	Naivasha Town	Sacco	Active
67	Ihindu Umoja	Naivasha Stown	Sacco	Active
68	Kanase	Naivahs Town	Sacco	Active
69	Naivasha Morgroup	Naivasha Town	Sacco	Active
70	Lake Naivasha Holiday Inn	Naivasha Town	Sacco	Active
71	Arn Sacco	Naivasha Town	Sacco	Active
72	Lake Naivasha Motorbike	Naivasha Town	Sacco	Active
73	Amarios Sacco	Naivasha Maimahiu Road	Sacco	Active
74	Manaki Sacco	Mai Mahiu	Sacco	Active
75	50 Millionaires	Naivasha Town	Sacco	Active
76	Penuel	Naivasha Town	Sacco	Active
77	Nadome	Naivasha Mirera	Sacco	Active
78	Tumaini Jiweze	Naivasha Gatumayu	Sacco	Active
79	Lisagrow	Naivasha Kayole	Sacco	Active
80	Wajenzi	Longonot Gate	Sacco	Active
81	Nennus	Naivasha Town	Sacco	Active
82	Leleshwa	Moi North Lake Road	Sacco	Active
83	Naivasha Victory	Naivasha Town	Sacco	Active

NJORO SUBCOUNTY

S/NO.	NAME OF SOCIETY	WHERE LOCATED	ACTIVITY	STATUS
1	Njoro Line Operatos	Njoro	Sacco	Active
2	Molog-Roup Safaris Savings & CS	Njoro	Sacco	Active
3	Nakuru-Mau-Narok Direct T.	Mau Narok	Sacco	Active
4	Njoro Farmers	Njoro	Sacco	Active
5	Njoro Canning	Njoro	Sacco	Active
6	Njoro High School	Njoro	Sacco	Active
7	Njoro Jua Kali	Njoro	Sacco	Active
8	Egerton Uni.	Njoro	Sacco	Active
9	Njokesub	Njoro	Sacco	Active
10	St Lwanga	Njoro	Sacco	Active
11	Piave-Subuku	Njoro	Sacco	Active
12	Pcea Njoro	Njoro	Sacco	Active
13	Egerton	Njoro	Sacco	Active
14	Rukemu	Njoro	Sacco	Active
15	Palmac	Njoro	Sacco	Active

16	Action	Njoro	Sacco	Active
17	Expression Flora	Njoro	Sacco	Active
18	Bimasters	Njoro	Sacco	Active
19	Immanuel Ack	Njoro	Sacco	Active
20	Happy Cow	Njoro	Sacco	Active
21	Ndeinda	Njoro	Sacco	Active
22	Viennadra Eagles	Njoro	Sacco	Active
23	Bliss Flora	Njoro	Sacco	Active
24	Kibagenge	Njoro	Sacco	Active
25	Hill Breeze	Njoro	Sacco	Active
26	Secod	Njoro	Sacco	Active
27	Smarty SACCO	Njoro	Sacco	Active
28	Njoro Fish Farmers Sacco	Njoro	Sacco	Active
29	Lare Line	Lare	Sacco	Active
30	Lare Naishi	Lare	Sacco	Active
31	High Vision Rural	Lare	Sacco	Active
32	Kipsoinar- Mauche Sacco	Mauche	Sacco	Active
33	Mau-Narok Rural Farmers	Mau Narok	Sacco	Active
34	Mau-Narok Agape Ack	Mau Narok	Sacco	Active
35	Mamwisho Travellers	Mau Narok	Sacco	Active
36	Saipei	Mau Narok	Sacco	Active
37	Sertonok	Mau Narok	Sacco	Active

TOTAL ACTIVE

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