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Internal Controls and Financial Performance of Saccos in Wakiso District

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ABSTRACT: *In this study, the relationship between internal controls and the financial performance of SACCOs in the Wakiso district was investigated. It was directed by the specific goals of evaluating the connection between the control setting and financial performance, risk evaluation and financial performance, regulate activities and financial achievement, tracking operations and financial achievement, communication and knowledge and financial performance, as well as evaluating the combined relationship between internal controls and financial results of SACCOs in the Wakiso district. The investigation employed a cross-sectional research methodology, and SPSS version 25 was used to tabulate quantitative data in order to better comprehend and analyze the relationship between the study variables. The study successfully collected data from 210 out of the 226 respondents in the sample, yielding a response rate of 92.9%. Together with the statistical analysis of correlation and regression analysis, principal component analysis was also used in the study. Also, the validity and reliability of the questionnaire instrument were evaluated to guarantee that the study variables returned the minimal acceptable benchmark of 0.7, as recommended by Cronbach's alpha (1951). According to the results, there is a significant and favorable correlation between the regulate environment and financial achievement, risk evaluation and financial results, control operations and financial performance, monitoring activities and financial achievement, as well as communication and knowledge sharing and financial results among SACCOs. Additionally, it was discovered that of the five factors that affect financial performance, the checks and balances have a higher predictive power (as shown in Table 4.8 for regression) for the variations in financial results than the other four internal management aspects of risk analysis, control environment, monitoring activities, plus communication and information.*

Keywords: internal controls and financial performance

Background to the study

According to the viable business principle, each company's financial performance is important because if one employee management is subpar, no other company will be able to survive for as long (Maditinos, Chatzoudes, Tsairidis & Theriou, 2015; Venkatraman & Ramanujam, 2016). Since sound productivity is seen as the lifeblood and a sign of a bank's future health, all businesses, regardless of their nature, try to attain it (Keisidou, Sarigiannidis, Dimitrios, Eleftherios & Thalassinos, 2013). Nonetheless, data from both the global and local levels points to gloomy figures on financial performance among enterprises, despite the fact that it is acceptable as a tool for evaluating the financial health of a company. According to Nkundabanyanga, Mugumya, and Nalukenge et al. (2019), citing the Global Entrepreneurship Monitor (GEM) report (2014), the percentage of businesses that fail increased from 90.2 percent in the year 2011 to 91.9 percent in 2012. Similar to how the failure of large US corporations like Enron, WorldCom, Adelphia, Lehman Brothers, and the Deutsche Bank crisis in 2016 were all related to subpar financial performance (Monem, 2016).

According to a survey by Chipeta and Symptoms of the condition (2016), just 40% of recently created SACCOs generate a profit in their first five years of operation, leaving the remaining 60% unproductive. The financial outlook of SACCOs in sub-Saharan Africa is no better. In Uganda, problems with poor financial performance are nothing new because the bulk of SACCOs have had poor financial performance. For instance, just 49.1% of SACCOs in Uganda report earnings, with the majority of them being unprofitable, compared to an estimated 60% of SACCOs in other East African nations (Muhunyo & Jagongo, 2018).

Statement of the problem

Regardless of a company's nature, ensuring excellent financial results is essential since it not only demonstrates the institution's financial condition but also serves one of the primary purposes for which it was founded (Bodla & Verma, 2016; Venkatraman & Ramanujam, 2016). Yet, reports suggest that SACCOs in Wakiso are not operating at their best because many of them report insufficient profitability and liquidity issues that delay the issuance of loans to their consumers (Wakiso District Commercial Report, 2018; AMFIU, 2019). For instance, Naddangira Agali Awamu SACCO consistently had subpar financial results, as demonstrated by gross losses of UGX13.41 million in its financial records, which subsequently hindered the SACCO's ability to issue loans to shareholders for the years 2014 to 2017 (Nantume, 2017). Similarly, a study by Kato (2018) showed that Wakiso Self-Help SACCO's income decreased by 33.1 percent from UGX450 million in 2016 to UGX301 million in 2017, while Nansana Real Estate Dealers' SACCO recorded a loss of UGX5 million (Wakiso District Commercial Report, 2018). Due to this, the town's overall SACCO performance decreased from 31.1% in 2016 to 27.1% in 2017. (Wakiso District Commercial Report, 2018). Twimukye (2019) nonetheless stated that just 26.9% of SACCOs made a profit in that year. This type of performance may be attributed to the

insufficient internal controls that these SACCOs have established; nonetheless, despite playing an essential part in the financial intermediaries and mobilization of savings in rural areas, this situation, if left unchecked, may result in their liquidation.

Research objectives

1. To assess the relationship between control environment and financial performance of SACCOs within Wakiso district
2. To examine the relationship between risk assessment and financial performance of SACCOs within Wakiso district
3. To evaluate the relationship between control activities and financial performance of SACCOs within Wakiso district
4. To determine the relationship between monitoring activities and financial performance of SACCOs within Wakiso district
5. To evaluate the relationship between information and communication and financial performance of SACCOs within Wakiso district
6. To examine the relationship between internal controls and financial performance of SACCOs within Wakiso district

Research questions

1. What is the relationship between control environment and financial performance of SACCOs within Wakiso district?
2. What is the relationship between risk assessment and financial performance of SACCOs within Wakiso district?
3. What is the relationship between control activities and financial performance of SACCOs within Wakiso district?
4. What is the relationship between monitoring activities and financial performance of SACCOs within Wakiso district?
5. What is the relationship between information and communication and financial performance of SACCOs within Wakiso district?
6. What is the relationship between internal controls and financial performance of SACCOs within Wakiso district?

METHODOLOGY

Research design

The research design used was pass. This approach was chosen because it allowed the researcher to gather data on the study variables all at once in a single snapshot. As a result, it made it easier to draw quick conclusions and make research problem suggestions. In a similar vein, findings from cross sectional research can be extrapolated to the full population despite their reliance on samples, as Field (2009) pointed out. Due of its accuracy in assessing relationships between research variables whose interaction with one another could be studied by statistical techniques and systematic measurement, a quantitative research methodology was used in conjunction with this design (Rahman, 2017).

Study population

This study took place in Wakiso district using SACCOs as the unit of analysis. To this end, a report by AMFIU (2019) indicates that there were 166 registered SACCOs within Wakiso district. These SACCOs were chosen because of their role in promoting financial intermediation and financial inclusion among the unbaked population in the district as highlighted by AMFIU. As such, they could improve the welfare of their members in the district when their level of profitability and liquidity is improved.

Sample size and sampling techniques

From a population of 166 registered SACCOs, the study sampled only 113 SACCOs of which 105 actually responded. The sample was derived using Krejcie and Morgan (1970) table for selecting a representative proportion from a given population. This method was applied because it provides a logical and numerical approach for selecting a sample from a known population. The unit of analysis was the SACCO, where a manager and cashier were purposively selected as the unit of inquiry, making the number of potential respondents at 226. Simple random sampling was used to select the SACCOs that participated in the study. Simple random sampling was used because it is free from bias since it accords all institutions/respondents within the sampling frame an equal chance to participate in the study.

Data collection method

Ego surveys were utilized in this study to collect data from the sample's respondents. Using a 5-Likert scale with extreme values of 5 signifying Strongly Agree and 1 signifying Strongly Disagree, the firmly shut questions created for this technique were used to collect the real data. The 5-Likert scale type questionnaire was chosen because, according to Milne (2016), it guarantees a bigger volume of accurate continuous variables than other scales while also generating uniform responses. In order to maximize the accuracy of the data, the researcher also personally gave the questionnaire to each respondent. This way, any questions that a respondent had could be answered right away.

Data processing and analysis

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RESULTS

Normality and homogeneity of data

The normality and homogeneity of the regression model were parametrically tested in order to draw reliable conclusions. While homogeneity helped determine whether or not there were commonalities in the variance of a data group, normality helped identify any outliers in the data collection. The study used mathematical Shapiro-Wilk and Levine testing methods, respectively, to reach this goal. Levine's test was used to evaluate data homogeneity while Shapiro-test Wilk's was utilized to assess normality. These numerical methods, according to Field (2009), were chosen because they are rational and use a mathematical foundation that makes it simpler to determine whether a particular set of data follows a normal distribution and is homogeneous or not. Because there were fewer than 2000 elements in the sample size utilized for this investigation, the Shapiro-Wilk test is also justified in this case. The data is homogenous (homoscedastic) both in tests if the acquired significance value is greater than 0.05; otherwise, the data significantly deviate from a normal distribution and are heteroscedastic when the value is less than 0.05. Table 1 provides a summary of the results in relation to normalcy and homogeneity.

Table 1: Showing data normality and homogeneity tests

	Independent variables		Shapiro-Wilk		
Dependent variable			Statistic	df	Sig.
FINANCIAL PERFORMANCE	Control environment		.943	12	.545
	Control activities		.881	3	.328
	Information & communication		.904	5	.433
	Monitoring activities		.760	5	.087
	Risk assessment		.936	3	.513
Test of homogeneity of variance					
		Levine statistic	df1	df2	Sig.
Internal controls	Based on mean	2,376	1	18	.141

Source: Primary data, 2019.

Field (2013) explains that normal data will show values whose level of significance is above 0.05. Table 1 indicates that the significant values for both Shapiro-Wilk and Levine's tests were above 0.05, which implies that the data set comes from a normal distribution. Furthermore, multi-collinearity which defines a situation in which two or more variables are very closely linearly related was also tested using tolerance statistics and Variance Inflation Factor (VIF). Field (2013) further observed that tolerance values below 0.1 and 0.2 indicate a serious multi-collinearity issue while VIF values of 10 and above are a cause for concern. For this study, the VIF values are below 10 while the tolerance statistics are above 0.2. Therefore, these values provide the statistical signal that there were no multi-collinearity issues in the data set.

Demographic characteristics of respondents

In this study, the respondents' demographic characteristics in terms of their gender, age distribution, education level, length of employment and position within the SACCO were examined. A summary of these characteristics is indicated in Table 4.3.

Table 2: Distribution of respondents by their demographic characteristics

Respondent Characteristic	**Frequency (N=210)**	**Percent**
Gender		
Male	113	53.8
Female	97	46.2
Age distribution		
<25 years	23	11.0
25-30 years	47	22.4
31-36 years	74	35.2

37-42 years	53	25.2
43 years & above	13	6.2
Education level		
Diploma	67	31.9
Degree	83	39.5
Masters	29	13.8
Others	31	14.8
Duration of employment		
5 years & less	46	21.9
5 – 10 years	91	43.3
11 – 15 years	73	34.8
16 years & above	0	0.0
Title		
Manager	105	50.0
Cashier	105	50.0

Source: Primary data, 2019.

From Table 2, the findings revealed that the proportion of males constituted 53.8% while the females were 46.2% of the total respondents. These findings demonstrate a fair distribution of respondents across gender since the views of both sexes were considered in the study. In addition, the dominance of males in comparison to their female counterparts can be explained on the idea that most SACCOs prefer to employ males due to their perceived ease of labour mobility compared to their female counterparts.

In relation to age distribution, most of the respondents were drawn from 31-36 years' category with 35.2%, followed by 37-42 years with 25.2%. This was trailed by respondents in other age brackets of 25-30 years contributing 22.4%, <25 years with 11.0% while the smallest proportion of respondents was drawn from 43 years and above category at 6.2%. This implies that the study sought views from both young and mature managers and cashiers who are knowledgeable knowledge on issues of internal controls and financial performance within their SACCOs.

Furthermore, the respondents' level of education was examined. The findings in relation to this demographic aspect indicated that an aggregate of 39.5% were degree holders, followed by diploma holders accounting for 31.9%, respondents with other qualifications contributed 14.8% while the lowest category are those who had masters' degrees with a contribution of 13.8% of the total respondents. This means that the majority of respondents surveyed were competent and skillful in identifying strategies for boosting financial performance within their respective SACCOs since they had some basic education. In the same way, analysis of education was important in this study because managers with better education qualifications are presumed to be better performers than those who had lower levels of education.

With regard to the duration of employment, an estimated 43.3% had a working experience of 5-10 years, 34.8% had worked for 11-15 years while 21.9% had served in their respective SACCOs for a maximum of 5 years or less. This implies that most respondents interviewed had adequate experience in handling their roles and responsibilities. In this study, the duration of employment was examined because employees who are experienced on their jobs are better positioned to execute their roles and responsibilities leading to achievement of organizational goals of which financial performance is among.

Finally, the researcher interviewed an equal number of cashiers and managers constituting 50.0% for each category. This implies that the study sought views from the most critical positions in the SACCOs who knew the adequacy of internal controls and financial performance within their institutions.

Background characteristics of SACCOs

The study also examined the characteristics of SACCOs in terms of their annual turnover, period of existence, total number of employees and core business specialty. Out of the 113 SACCOs that were sampled, 105 SACCOs successfully returned two questionnaires each while 8 SACCOs did not respond. This gave a response rate of 105 (92.9%) against 8 (7.1%) that never responded. These statistics are indicated in Table 4.4.

Table 3: Distribution of SACCOs according to their characteristics

Characteristic	Frequency (N=105 SACCOs)	Percent
Annual turnover for SACCOs		
50M or less	61	58.1
51M to 100M	33	31.4
100M or more	11	10.5
Years of SACCO's operation		
<=5 years	27	25.7
6-10 years	61	58.1
11 years & above	17	16.2
Number of employees		
<=10 employees	59	56.2
11-20 employees	37	35.2
21 employees & above	09	8.6
Core business specialty		
Savings & credit	71	67.6
Agricultural marketing	23	21.9
Both savings & agricultural	11	10.5

Source: Primary Data, 2019.

From Table 3, findings on descriptive characteristics of SACCOs showed that out of 105 institutions that responded, the majority had turnover of 50M or less, constituting 58.1% of the total. This was followed by SACCOs whose annual turnover ranged between 51M-100M with an aggregate of 31.4% while the smallest category constituted of SACCOs that had a turnover of 100M or more with a contribution of 10.5%. These statistics signify existence of growth opportunities within the sector.

In addition, Table 3 also revealed that a big proportion totalling 58.1% of the sampled SACCOs had stayed longer for 6-10 years, followed by 25.7% that had been in existence for 5 years or less while 16.2% had been in operation for 11 years or more. This implies that most SACCOs had established customer bases which signify relative stability of the sector. By staying longer, this finding implies that SACCOs are able to recruit competent staff, strengthen their control activities such as documentation, segregation and approval of transactions as well as improve their control environment through formulation of policies, rules and regulations to promote going concern for their institutions.

Factor analysis

The analysis was carried out for both internal control and financial performance measures to ascertain the weight of the factors in relation to the study variables they measure. As guided by (Gie & Pearce, 2013; Field, 2009, 2013), factor analysis was used in this study to extract factor loadings among different variables as a result of one or more underlying factors for internal controls. The technique involved classifying variables and the use of data reduction to extract factors that explained a bigger variation in the outcomes of the dependent variable (financial performance).

Factor analysis for internal control components

The study constructs of internal controls in the conceptual framework were analysed using factor analysis to establish their relative weights. The extraction method used was the rotated component factor analysis and the rotation method was varimax with Kaiser Normalization. All statements for the variables with weights of 0.5 or less were excluded from the analysis in line with (Fabrigar, Wegener, MacCallum & Strahan, 2009) who suggested that factor loadings lesser than 0.5 do not cause much variance in the observed variable and hence should be eliminated from the analysis to avoid extracting factors with weak loadings.

Table 4: Rotated component matrix for internal control dimensions

Statements	Components				
	CA1	RA2	MA3	IC4	CE5
All employees in this SACCO have different roles they play	.849				
This SACCO trains new staff on the preventive controls before they assume their tasks and responsibilities	.825				
There are clear guidelines for appraising loan applications before disbursement	.808				
All transactions are sanctioned before they are paid	.783				
This SACCO always budgets for activities related to managing all risky activities		.796			
Internal audit team in this SACCO often meets with employees		.784			
Our senior management appropriately evaluates probable risks when planning		.762			
Our senior management team appropriately evaluates risks when approving new activities		.761			
This SACCO has competent staff in handling risk management		.692			
Reviews for internal controls are conducted periodically			.814		
Management is responsible for the timely review of audit reports			.793		
Monitoring has helped in assessing the quality of accountability of the SACCO over time			.775		
Within this SACCO, there are detailed policies for monitoring audit recommendations for departments			.640		
There are procedures for assessing compliance issues daily			.616		
This SACCO understands the concept and importance of information and communication				.703	
Everyone within this SACCO can freely disseminate information to all levels of management				.645	
Within this SACCO, management has competent staff for coordinating the various activities				.571	
The reporting system used in this SACCO spells out all responsibilities of each section/unit				.552	
Management communicates all detective controls to employees				.501	
In this SACCO, internal auditors report their findings directly to senior management committee					.689
Senior management within this SACCO takes appropriate follow-up on issues of noncompliance that are reported to it					.669
This SACCO's policies & procedures are reviewed periodically					.640
Eigen Values	**5.361**	**3.464**	**3.257**	**2.693**	**1.900**
% of Variance	**14.278**	**10.666**	**10.130**	**9.257**	**7.779**
Cumulative %	**14.278**	**24.944**	**35.074**	**44.331**	**52.11**

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. a. Rotation converged in 6 iterations.

Notes: Component CA1 = Control activities; Component RA2 = Risk assessment; Component MA3 = Monitoring activities; Component IC4 = Information & communication; and Component CE5 = Control environment.

Source: Primary Data, 2019.

The factor analysis from Table 4 yielded five components which were (in order of their percentage of variance); control activities (14.278), risk assessment (10.666), monitoring activities (10.130), information and communication (9.257) and control environment (7.779). In total, these components explained a cumulative variance of 52.11% in financial performance of SACCOs. The results further revealed that control activities were the most important dimension giving an Eigen value of 5.361 and 14.278% variance in financial performance, followed by risk assessment with 3.464 and 10.666% variance, while monitoring activities (Eigen value and variance= 3.257 & 10.130), information and communication (Eigen value and variance= 2.693 & 9.257) as well as control environment (Eigen value and variance= 1.900 & 7.779) returned the lowest loadings. The implication of these findings is that management of SACCOs need to emphasize the control activities and risk assessment in their operations if they are to improve financial performance.

Factor analysis for financial performance

The study dimensions of financial performance including profitability and liquidity were examined using factor analysis to establish their factor loadings. This technique was used to discover the most critical factors that explain co-variation among multiple observations (Williams, Onsman & Brown, 2016). The extraction method used was the rotated component factor analysis and the rotation method was varimax with Kaiser Normalization, which recommends weights of ≤ 0.5 to be suppressed (Hair, Black & Babin *et al.*, 2009). The 0.5 cut off range was used because as Hair *et al.* (2009) indicated, it helps in identifying a set of factors with a big contribution to the outcome variable (in this case financial performance).

Table 5: Rotated component matrix for financial performance measures

Statements	Components	
	LIQ	**PRO**
We have several loan products that have increased the SACCO's cash inflows	.902	
This SACCO has enough cash to lend to its customers on a timely basis	.816	
The mobile money line for this SACCO has a running balance	.795	
In this SACCO, there are adequate cash inflows to finance day to day activities	.720	
This SACCO's bank accounts have running balances	.695	
Our processes are constantly reviewed to minimize losses in operations		.771
Our SACCO's profits have consistently increased year after year		.736
We have maintained a constant interest rate for our services across the years		.732
Our SACCO has registered increasing sales revenue over the years		.678
Eigen Values	**3.788**	**2.252**
% of Variance	**34.438**	**20.476**
Cumulative %	**34.438**	**54.914**

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. a. Rotation converged in 3 iterations.

Notes: LIQ = Liquidity; and PRO = Profitability.

***Source: Primary Data, 2019*.**

From Table 5, the results indicated that the components of liquidity provide a higher explanatory power in measuring financial performance of SACCOs with an Eigen value of 3.788 in comparison to profitability that returned a value of 2.252. In addition, the findings showed that 34.438% of SACCO's financial performance can be attributed to liquidity while 20.476% can be explained by profitability. In total, the two components returned a cumulative variance of 54.914% in financial performance of SACCOs. These findings imply that managers within SACCOs need to ensure adequate liquidity especially by offering several loan products that can increase cash inflows (with an Eigen value of .902) as such a strategy can empower SACCOs to serve their customers on a timely basis (Eigen value of .816) as well as financing day to day activities (Eigen value .720). With regard to profitability, the results indicated that reviewing processes constantly to minimise losses in operations is vital in promoting sound performance among SACCOs (Eigen value of .771). Perhaps, this suggests that through constant review of operational procedures, management is in position to identify loopholes that decrease the revenue generating potential of the SACCO.

Inferential statistics

In order to evaluate the relationships between the variables of the study, the researcher used inferential statistics of correlation and regression analysis. Correlation analysis was used to ascertain the strength and direction of a relationship between two numerically measured, continuous variables while regression analysis analysed the predictive potential of the independent variables combined to the variations of the dependent variable (Field, 2013).

Correlation analysis

The coefficient of correlation (r) was used to determine whether the relationship between the variables was perfect, strong, moderate or weak and the value ranges between -1 and 1. Thus, this technique was used to indicate the nature and strength of the relationship. The results obtained in respect to this technique are summarized in Table 4.7.

Table 6: Correlation coefficients between the study variables

Study Variables		1	2	3	4	5	6	7
INTERNAL CONTROLS	**1**	1.00						

Control Environment	**2**	.169*	1.00					
Control Activities	**3**	.121	.154*	1.00				
Information & Communication	**4**	.265**	.020	.781**	1.00			
Risk Assessment	**5**	.215**	.145*	.148*	.138*	1.00		
Monitoring Activities	**6**	.516**	.062	.112	.049	.084	1.00	
FIN. PERFROMANCE	**7**	.421**	.089*	.575**	.580**	.296**	.198**	1.00

*. Correlation is significant at the 0.05 level (2-tailed).

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

Source: Primary data, 2019.

Correlation between study variables

To determine the relationship between control environment, control activities, information and communication, risk assessment and monitoring activities with financial performance among SACCOs, the researcher used Pearson's zero-order correlation coefficients (Table 4.7) between the variables.

At this level of analysis, findings established a weak but positive relationship between control environment and financial performance of SACCOs giving statistical values of (r=.089, p<.05). It was also observed that a significant and positive relationship exists between control activities and financial performance (r=.575, p<.01). This finding provides statistical evidence that control activities are significantly related to financial performance of SACCOs in Wakiso district. This implies that strengthening the control activities such as documentation, segregation of duties and approval of transactions are vital in promoting financial performance of SACCOs. Also, the findings showed that information and communication are variables that are significantly related to financial performance of SACCOs (r=.580, p<.01). The implication is that improving information and communication within SACCOs could promote better performance. Thus, SACCOs need to pay attention to both internal and external communication as possible strategies for boosting their performance since they have been related to performance in this study.

Furthermore, the study established a statistically significant and positive relationship between risk assessment and financial performance (r=.296, p<.01) and so is the case for monitoring activities and financial performance (r=.198, p<.01). Thus, ensuring effective risk assessment through risk identification, risk ranking and risk mitigation could significantly boost financial performance among SACCOs within Wakiso district. In the same way, when SACCOs undertake continuous reviews of their operations, undertake internal audits and external audits, such activities are likely to promote financial performance.

Regression analysis

The study also applied a regression analysis to examine the predictive potential of internal controls to the variances in financial performance of SACCOs. The findings in relation to this analysis are summarised in Table 4.8 below.

Table 7: Regression analysis indicating the predictive potential for the study variables

	Unstandardized Coefficients		**Standardized Coefficients**			**Co-linearity Statistics**	
	B	**S.E.β**	**B**	**T**	**Sig.**	**Tolerance**	**VIF**
(Constant)	.954	.375		2.547	.012		
Control Env'nt	.128	.059	.114	2.190	.030	.923	1.083
Control Actvts	.414	.091	.381	4.562	.000	.363	2.758
Infomn & Com.	.296	.088	.274	3.355	.001	.379	2.638
Risk Ass'mt	.126	.039	.166	3.198	.002	.940	1.063
Monitoring Act.	.288	.063	.233	4.578	.000	.974	1.027

R	**R Square**	**Adj. R Square**	**F**	**Sig.**	**Durbin-Watson**
.695[a]	.483	.470	38.281	.000[b]	1.587

a. Dependent Variable: Financial performance

b. Predictors: (Constant), Control environment, Control activities, Information & communication, Risk assessment, and Monitoring activities

Source: Primary data, 2019.

Control environment and financial performance

The regression results presented in Table 7 were used to answer the research questions. The results in relation to the different questions are explained below. Firstly, the results revealed a statistically positive and significant association between control environment and financial performance (β=.114, t-value=2.190 & p<.05). This implies that if control environment is improved by one-unit, financial performance increases by 0.114 units. So, management of SACCOs need to pay attention to strengthening their control environment attributes of internal audit departments, take appropriate follow-up on issues of non-compliance and review SACCO's loan policies and procedures periodically as these elements are critical in promoting performance.

Risk assessment and financial performance

Similarly, the relationship between risk assessment and financial performance of SACCOs shows a significant and positive association between the variables (β = .166, t-value = 3.198, p<.05). Thus, a positive unit change in risk assessment is responsible for variation in financial performance of SACCOs by 0.166 units. This statistic substantiates the research question of how risk assessment relates with financial performance of SACCOs. In light of this observation, particular emphasis of matter by managers should be directed towards budgeting for risky activities, internal audit team meeting with employees, evaluating probable risks and recruiting competent staff to ensure effective risk management and help SACCOs achieve their financial goals.

Control activities and financial performance

Moreover, the regression model discloses that control activities (β=.381, t-value=4.562 & p<.05) and financial performance have a significant positive relationship. The implication is that a unit increase in control activities among SACCOs leads to a 0.381 proportionate change in financial performance, thereby demystifying the research question about the relationship between control activities and financial performance. In view of this finding, managers of SACCOs should endeavor to segregate duties among employees, train staff on preventive controls such as carrying out proper loan appraisals, ensure transaction approval and perform regular reconciliations of revenues and incomes earned.

Monitoring activities and financial performance

Likewise, the findings confirm a positive and significant relationship between monitoring activities and financial performance among SACCOs (β = .233, t-value = 4.578, p<.05), suggesting that every positive change in monitoring activities is associated with a corresponding change in financial performance by 0.233 units. Therefore, this finding gives a retort to the question of whether monitoring activities matter in the financial performance of SACCOs. Consequently, notable aspects such as periodical review of internal controls and audit reports, assessing the quality of accountability as well as assessing compliance issues should not be ignored if managers are to promote financial performance of their SACCOs.

Information and communication and financial performance

Furthermore, the regression results provide statistical evidence that information and communication among SACCOs significantly relates with their financial performance, giving values of (β=.274, t-value=3.355 & p<.05). In other words, a unit improvement in information and communication controls would contribute to financial performance by 0.274 units hence answering the research question of how information and communication controls are related to financial performance among SACCOs. Accordingly, information and communication elements such as open dissemination of information to all staff, promoting staff competence, putting in place a reporting system that spells out all responsibilities of each unit and communicating all detective controls to employees should take precedence if SACCOs are to improve their financial performance.

Internal controls and financial performance

The results from Table 7 showed statistical results of F=38.281, Sig.=.000 in relation to the predictive potential of internal control dimensions of control environment, control activities, information and communication, risk assessment, monitoring activities and financial performance of SACCOs. The F-statistics (F=38.281, p=0.000 <.05) show that the model is perfectly fitted, implying that internal controls significantly explain financial performance of SACCOs in Wakiso district. Overall, these results indicate a statistically significant and predictive ability of the independent variables to the variances in financial performance. With regard to the predictive power of the model, the obtained Adj. r^2 = .470 implies that the dimensions for internal controls including control environment, control activities, information and communication, risk assessment and monitoring activities can explain up to 47.0% of the variations in financial performance of SACCOs.

In summary, it can be deduced from the statistical results that all the internal control dimensions of control environment, control activities, information and communication, risk assessment and monitoring activities are all significant predictors of financial performance among SACCOs. More so, going by the t-statistics and the largest β-values for control environment (β=.114, t-value=2.190), control activities (β=.381, t-value=4.562), information and communication (β=.274, t-value=3.355), risk assessment (β=.166, t-value=3.198) and monitoring activities (β=.233, t-value=4.578), the results further reveal that financial performance

within SACCOs is better explained by control activities followed by information and communication in comparison to control environment, risk assessment, and monitoring activities.

Conclusion

The results of this study have substantial ramifications, to sum up. Notably, the findings reinforce the agency theory perspective, which postulates that the principle establishes control laws for the agent to adhere to in order to meet a firm's interests and objectives, one of which is financial success. Theoretically, the findings show that internal controls support SACCOs' financial performance; as a result, it is critical that these growing financial institutions acknowledge these qualities for their strong liquidity and profitability positions. The academic community is increasingly aware that the control activities are the most crucial aspect of internal control for SACCOs to achieve financial results. In practice, the results are significant for SACCOs' managers wishing to strengthen their institutions' liquidity and profitability and for internal auditors who may be interested in leveraging on internal controls to measure the going concern assumption of SACCOs.

Recommendations of the study

Agencies theory has given theoretical support to the idea that internal controls are essential for encouraging financial performance in SACCOs. Hence, SACCO workers must carefully carry out their responsibilities within the established parameters in order to balance their interests with those of SACCOs in accordance with their employment agreements. Work goals are a way to do this.

Given their 47% predictive power, internal controls, which take the form of a control environment, control activities, risk assessment, monitoring activities, and communication and information, should be prioritized by policymakers like AMFIU and Uganda Collaborative Alliance (UCA) in the promoter region. Equally, management and owners of SACCOs should train their employees on strengthening internal controls since these have been confirmed in this study as conduits that enhance financial performance. Such training can help them in understanding how to implement certain controls. Training can be implemented by conducting both on-job and off-job sessions through conferences and seminars.

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