

**EFFECTS OF INTERNAL CONTROL SYSTEMS ON FINANCIAL  
PERFORMANCE OF SACCOS IN NYERI CENTRAL SUB-COUNTY,  
KENYA**

**мбака мари камбура**

**A Thesis Submitted to the School of Business Management  
and Economics in Partial Fulfillment of the Requirement  
for the Award of Master of Business Administration  
(Accounting Option) of Dedan Kimathi  
University of Technology**

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## DECLARATION

This thesis is my original work and has not been presented in any other University or any institution of higher learning for an award of a degree.

Signature: 

28/02/2018

**Mbaka Mary Kambura**

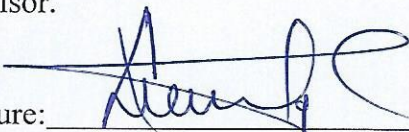
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## APPROVAL

This thesis has been submitted for examination with my approval as the University supervisor.

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## ABSTRACT

Kenyan SACCO segment makes up a considerable percentage of the country's economic growth and social improvement. It need been created that interior nature's domain need an incredible bearing on the execution of SACCOS. This research investigated the relationship between internal control systems and performance in SACCOS in Nyeri Central Sub-County and was guided and was guided by the following theories; Restitution and Internal Control Theory, Agency theory and Control theory. Internal controls were looked at from the perspective of Control Environment, control activities, Risk Assessment and monitoring all focused on the performance which measured profitability and ROI. The target population was 78 employees working in the SACCOS in Nyeri central sub-county, the staffs working in SACCOS were categorized into three categories, that is, the Loan Manager, Internal Auditor and then Financial Analyst. The research was conducted using both quantitative and qualitative approaches; adopting cross-sectional survey research design. The relevant data was collected using questionnaires from 68 respondents representing 87.2% response rate out of the probable 78. Collected data was analyzed using statistical package for social sciences (SPSS) to generate descriptive and inferential statistics. Effects of internal controls on the financial performance of SACCOS in Nyeri central sub-county were measured using multiple regression analysis. The findings of the study revealed that internal control environment, risk assessment control and activity control had a positive and statistically significant effect on financial performance of SACCOS. Monitoring had a positive but statistically insignificant effect on financial performance of SACCOS. The study recommended that SACCOS should develop internal control system and a policy to ensure that ICS is adhered to. In addition, SACCOS should come up with policy to ensure that risk assessment and control is done at different levels and corrective and/or preventive measures are taken in order to mitigate the effect. SACCOS should also come up with a policy and procedure that ensure that there is regular and systematic review of the internal control systems and ensure that issues raised are addressed appropriately. The study suggests that future research could focus on the challenges SACCOS face when developing and implementing internal control systems.