THE IMPACT OF INTERNAL CONTROLS ON THE FINANCIAL SUSTAINABILITY OF SAVINGS AND CREDIT COOPERATIVE SOCIETIES (SACCOS): A CASE STUDY OF TUMAINI SACCOS IN ARUSHA, TANZANIA

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DECLARATION

I, Hannah Stanley Hotay, declare that this work is my own and has not been submitted somewhere else for any academic award. All sources and contributions from other authors have been appropriately acknowledged.

Signature: .... Date: 23/04/2026..........................

HANNAH STANLEY HOTAY

S23B33/096

APPROVAL

This is to certify that this dissertation titled "The Impact of Internal Controls on the Financial Sustainability of Savings and Credit Cooperative Societies (SACCO's)" has been prepared by Hannah Stanley Hotay under my supervision as the university supervisor.

Signature: .... Date: 23/04/2026

University Supervisor

Jennifer Abiyar N. (Mrs.)

DEDICATION

I commit this dissertation to my dearest parents Agnes Stanley Hotay and Stanley Ibrahim Hotay and my brothers, sisters, friends and classmates who have helped me in this process.

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First, I want to acknowledge God who gave me life, good health and strength and wisdom to be able to complete this study successfully.

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LIST OF ABBREVIATIONS

SACCO – Savings and Credit Cooperative Organization

COSO – Committee of Sponsoring Organizations of the Treadway Commission

URA – Uganda Revenue Authority

IFRS – International Financial Reporting Standards

IAS – International Accounting Standards

SPSS – Statistical Package for Social Sciences

ICT – Information and Communication Technology

GDP – Gross Domestic Product

ROA – Return on Assets

ROE – Return on Equity

NPL – Non-Performing Loans

MFI – Microfinance Institution

BoT – Bank of Tanzania

MoFP – Ministry of Finance and Planning

IIA – Institute of Internal Auditors

TAM – Technology Acceptance Model

UTAUT – Unified Theory of Acceptance and Use of Technology

KPI – Key Performance Indicator

ERP – Enterprise Resource Planning

IT – Information Technology

FSD – Financial Sustainability Dimension

ABSTRACT

This study examined how different components of internal control systems influence the financial sustainability of Savings and Credit Cooperative Organizations (SACCOs), focusing on Tumaini SACCO in Arusha, Tanzania. The study specifically aimed to assess the effect of the control environment on financial sustainability, evaluate how control activities and monitoring practices contribute to financial performance, and establish the relationship between internal controls and financial sustainability within the SACCO.

A cross-sectional research design was adopted to analyze the relationship between the study variables. The study targeted 47 employees from different departments of Tumaini SACCO, from which a sample of 42 respondents was selected using appropriate sampling techniques. Data was collected using structured questionnaires and later analyzed with the help of SPSS software. Descriptive statistics, including means and standard deviations, were used to summarize the data, while correlation and regression analysis were applied to determine the strength and nature of the relationship between internal controls and financial sustainability.

The findings revealed that Tumaini SACCO has relatively strong internal control systems in place, supported by a well-established control environment, defined control activities, and ongoing monitoring practices. Although risk assessment measures were present, some gaps were noted, particularly in the regular review and updating of risk management strategies. The SACCO also showed strong performance in terms of financial sustainability, with key indicators such as profitability, liquidity, and loan recovery rated highly.

In addition, the results indicated a very strong positive relationship between internal control systems and financial sustainability, with a correlation coefficient of 0.992. The regression analysis further showed that internal controls account for 98.5% of the variations in financial sustainability. Based on these findings, the study concluded that effective internal control systems play a significant role in enhancing the financial sustainability of SACCOs.

CHAPTER ONE

1.0 Introduction

This chapter presents the paper on the impact of internal control system on the financial sustainability of Savings and Credit Cooperative Societies (SACCOs) in Arusha, Tanzania. It gives the background to the study, problem statement, research objectives and research questions. It also describes the extent of the research, its importance and conceptual framework. Also, the chapter outlines the background under which SACCOs have been established and underscores the research gap that guided the rationale of this study. It also establishes the important variables which were under investigation and how they are correlated in the research.

1.1 Background to the Study

The paper has discussed how different aspects of financial internal control systems affect the financial sustainability of Savings and Credit Cooperative Organizations (SACCOs) using Tumaini SACCO in Arusha, Tanzania as a case. The research particularly sought to determine the impact of control environment on financial sustainability, how the control activities and monitoring practices serve to enhance financial performance and how the internal controls and financial sustainability relate in the SACCO. The study adopted a cross-sectional research design to analyze how the study variables relate to each other. The research was carried out on 47 employees within the various branches of Tumaini SACCO, a sample of 42 employees was picked through the use of relevant sampling methods. Structured questionnaires were used to gather data and subsequently SPSS was used to analyze the data. Descriptive statistics (means and standard deviations) were used to summarize the data and both correlation and regression analysis were performed to determine the strength and the nature of the relationship between internal controls and financial sustainability. The results indicated that the internal control systems within Tumaini SACCO are fairly well developed with a properly developed control environment, defined control activities and continuous monitoring practices. Although there were risk assessment measures, some gaps were noticed particularly those related to the normal review and revision of risk management strategies. The SACCO was also doing well on its financial sustainability as its key indicators such as profitability, liquidity and loan recovery were rated highly. Further, the results indicated that the correlation between internal control systems and financial sustainability had very strong positive correlation with the correlation coefficient value of 0.992. The regression analysis also revealed that the internal controls are the explanatory factor of the variations in financial sustainability by 98.5%. Upon these results, the paper has found that good internal control practices are important to improving financial sustainability of SACCOs. This chapter reports the study on the effects of internal control systems on financial sustainability of Savings and Credit Cooperative Societies (SACCOs) in Arusha, Tanzania. It provides the background to the study, problem statement, research objectives and research questions. It also gives the extent of the research, its applicability and its conceptual framework. Moreover, the chapter explains the situation under which SACCOs work and the research gap that informed the necessity to conduct this research. It also identifies the key variables that were researched as well as the connection between them in the research.

1.2 Problem Statement

Ideally, SACCOs are supposed to have good internal control systems that foster accountability, transparency, and good financial management. The Bank of Tanzania (2022) suggests that SACCOs should protect the money of their members by employing effective internal controls, including sound control environment, regular risk assessment, properly designed control activities, and active monitoring to prevent fraud, maintain proper financial records, and assist in making sound decisions. In the event that these elements operate properly, SACCOs are more likely to be profitable, capable of fulfilling their liquidity requirements, and good loan recovery rates. This, in its turn, promotes financial sustainability in the long-term and develops confidence among members (International Cooperative Alliance, 2020). But in reality, this is not always the case in most SACCOs, even in those with formal internal control systems. Some of the SACCOs still face financial difficulties in the form of decreasing profits, lack of cash flow and high loan default. Problems like poor administration, ineffective implementation of policies, poor records keeping, inadequate separation of duties, and inability to implement audit recommendations are still prevalent. Internal control procedures are in certain instances recorded yet not always practiced in day to day operations. This poor execution of controls is a contributor to financial losses and the degree of trust among members is diminished. According to the reports about cooperative institutions in Tanzania, the weaknesses in the governance, supervision, and risk management continue to be the main causes of financial instability (Bank of Tanzania, 2022; Ministry of Finance and Planning, 2021). In spite of the fact that past research has recognized the significance of internal controls in enhancing organizational performance, a little empirical evidence exists regarding the impacts of individual elements of internal control like the control environment, risk assessment, control activities and monitoring activities on important variables of financial sustainability, profitability, liquidity and loan recovery in SACCOs. This leaves a knowledge gap. Due to this, SACCO managers and policymakers might not have a clear direction on the most important areas of internal control as far as financial sustainability is concerned. This paper thus aims at closing this gap by exploring the impact of internal control elements on the financial sustainability of SACCOs (Wanyama, 2016).

1.3 Purpose of the Study

This study aimed at investigating how internal controls affect financial sustainability of SACCOs in Arusha, Tanzania.

1.4 Objectives of the Study

1. To determine the impact of the control environment on financial sustainability of SACCOs.
2. To test how monitoring activities and control activities impact the financial sustainability of SACCOs.
3. To establish the connection between the internal controls and financial sustainability of the SACCOs.

1.5 Research Questions

1. How does the control environment impact on the financial sustainability of SACCOs?
2. How monitoring activities and control activities will affect the financial sustainability of SACCOs?
3. How are internal controls and financial sustainability of SACCOs connected?

1.6 Scope of the Study

1.6.1 Content Scope

This research was aimed at knowing the effects of the elements of internal controls on the financial sustainability of the Savings and Credit Cooperative Societies (SACCOs). The primary variables that were taken into account were the various components of the internal control which comprised of the control environment, control activities and monitoring activities. With an aim of having a better insight into the control environment, the degree to which the organization structure is defined and the commitment of the management to impose internal controls were considered. Control activities were analyzed based on practical considerations like segregation of duties, authorization processes and quality of documentation and record keeping in the SACCO. Instead, monitoring activities were looked at in the context of the frequency of the internal audits and the implementation of such audits. The study considered financial sustainability to be the result of interest. It was evaluated on the basis of some of its key indicators like its profitability, liquidity, and the capacity of the SACCO in recovering loans among its members.

1.6.2 Geographical Scope

The research was conducted at Tumaini Savings and Credit Cooperative Society Limited (Tumaini SACCOs) P.O. Box 14788, Plot No. 71, Themi Area, Arusha City, Tanzania.

1.6.3 Time Scope

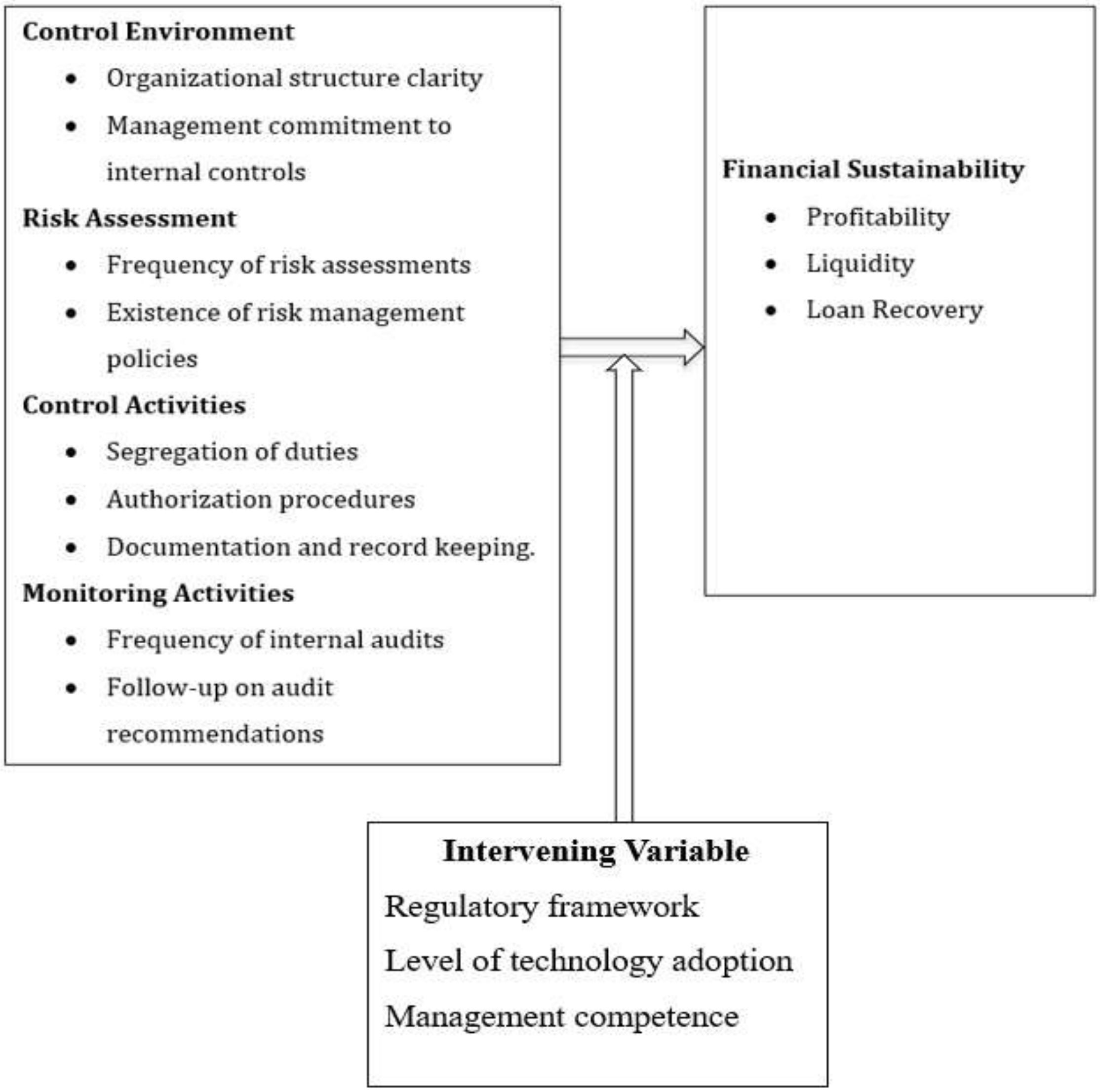
In this study, literature since 2019 was primarily taken into account. This is the period that the researcher selected since it gives more current and pertinent information on the subject matter. During these years, internal control practices have changed to some extent besides changes in the management of financial sustainability by the SACCOs. At this period cooperative financial institutions have been navigating new regulations, technological advances, and economic issues, so the information in this time is more relevant. Recent sources also aided in making sure that the study is relevant to the present state of affairs where SACCOs are currently in operation as opposed to basing the study on old findings.

1.7 Significance of the Study

The results of this research should be beneficial to policymakers and regulators who are in charge of regulating cooperative financial institutions. The study can facilitate the formulation and implementation of improved policies, standards and supervisory frameworks by demonstrating how internal control components affect the financial sustainability of SACCOs. This can assist in enhancing better governance, accountability, and financial stability in the cooperative sector. Besides this, it can also direct the activities that are geared towards ensuring transparency, safeguarding the savings of members and minimizing the chances of SACCO failure. Tumaini SACCO and other similar organizations will also be of interest to the study. It helps them get practical information about the effectiveness of their internal control systems in their day-to-day operations. The findings can help the management to know better where controls are effective and where to make improvements especially in areas like the control environment, risk assessment, control activities and monitoring. By addressing these areas, it is possible to enhance profitability, better management of cash flow, and improve loan recovery, which are all vital to long-term sustainability. Simultaneously, the research contributes to the existing knowledge and will be valuable to other scientists and scholars. It gives empirical evidence which can be referred to in future research concerning accounting, finance and cooperative management particularly in developing countries. It can also impact further study of the governance practices and performance of SACCOs and other microfinance institutions.

1.8 Conceptual Framework

INDEPENDENT VARIABLES **DEPENDENT VARIABLES**



Source: Reused in the Institute of Internal Auditors (2020) and adjusted by the researcher. The theoretical framework of this paper describes the relationship between the elements of internal controls and the financial sustainability of SACCOs, and considers other factors that can affect this connection. The independent variable had four key elements of internal control, namely, the control environment, risk assessment, control activities, and monitoring activities. The control environment was manifested in the extent of definition of organizational structure and management commitment towards internal controls. These are the elements that underlie accountability and good governance in the SACCO. Risk assessment was based on the frequency of risk identification and evaluation, and the presence of formal risk management policies. This helps the SACCO to anticipate and manage possible financial challenges. Control activities were looked at with regards to the division of duties, adherence to authorization procedures, as well as maintenance of records and documents. Such actions will guarantee that transactions are managed appropriately and minimize the risks of mistakes or misappropriation of funds. Surveillance of activities was analyzed by the number of in-house audits conducted and the implementation of audit recommendations. This assists in determining the effectiveness of internal controls and enables an ongoing improvement. The dependent variable in the research was financial sustainability which was quantified by the indicators like profitability, liquidity and loan recovery. Profitability indicates that the SACCO can earn excess money in order to continue its operations and expansion. Liquidity is a measure of the ability of the SACCO to cover its short-term financial commitments, such as member withdrawals and operational costs. Loan recovery on the other hand shows how effectively the SACCO collects repayments of the members and this is relevant to ensure that there is a steady cash flow and also to reduce defaults. The correlation between the internal control elements and financial sustainability, however, is not one-sided. Other factors that can affect it include the level of technology adoption, management competency and the regulatory framework. The regulatory framework defines the level of adherence of the SACCO to the cooperative laws and the oversight requirements. The competence of management influences the efficiency with which internal control systems are executed and observed. Moreover, the adoption rate of technology also affects the efficiency with which financial operations and record keeping are conducted. These intervening factors can either strengthen or weaken the overall impact of internal controls on financial sustainability.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The chapter is a literature review about internal controls and financial sustainability of Savings and Credit Cooperative Societies (SACCOs). It relies on major theories, significant ideas, and results of the past research. The aim of the review is to learn what has already been known in terms of internal controls and their effect on the financial sustainability of SACCOs, and also to discover the gaps in current research. This way it offers a clear background to the present study.

2.1 Definition of Key Terms.

CONTROL ENVIRONMENT The general attitude and actions of the management towards the internal controls and ethical behavior in an organization are known as the control environment. It defines the seriousness with which internal controls are taken and provides a baseline on which other elements of controls are established (COSO, 2013). We can also perceive it as the system of standards, processes and structures through which internal control is carried out throughout the organization. This encompasses things like integrity, corporate values, employee competence and the degree of managerial supervision (Hayes et al., 2014). Moreover, the overall working atmosphere in the organization is expressed in the control environment. It affects the way employees comprehend and utilize the internal control policies in their routine operations, especially regarding accountability, discipline, and management commitment (Moeller, 2014).

RISK ASSESSMENT Risk assessment is the process of identifying and analyzing potential occurrences that may adversely influence the fulfillment of organizational goals. This process enables management to come up with appropriate ways of responding to such risks (COSO, 2013). It may also be defined as a systematic method of assessing operational, financial reporting, and compliance risks, and how these risks are to be addressed (Institute of Internal Auditors, 2017). In addition, risk assessment includes recognizing uncertainties that may interfere with performance and ranking them based on their likelihood of occurrence and the level of impact they may have on the organization (Fraser & Simkins, 2016).

CONTROL ACTIVITIES Control activities are the policies and procedures that are implemented to make sure that management directives are duly implemented. They encompass practices like approvals, authorizations, verifications, and segregation of duties (COSO, 2013). They also may be regarded as certain measures undertaken to reduce risks to the necessary levels as well as to make sure that financial transactions are correct and valid (Hayes et al., 2014). Practically, control activities entail operational controls like adequate documentation, supervision, and authorization procedures all to deter errors, fraud, and waste of resources (Moeller, 2014). MONITORING ACTIVITIES Monitoring activities consist of regular or continuous reviews that are conducted to determine the effectiveness of the internal controls as intended and in the long term (COSO, 2013). It also involves ongoing supervision, in-house audits, and periodic reviews that assist in detecting the flaws in the control system and in making sure that corrective measures are undertaken where the need arises (Institute of Internal Auditors, 2017). Overall, monitoring can be defined as the process of assessing the effectiveness of internal controls and it seeks to ensure adherence to laid down policies and underpins the attainment of organizational goals (Pickett, 2010). FINANCIAL SUSTAINABILITY Financial sustainability is the capacity of an organization to obtain enough income to meet its operation expenses and remain operational in an efficient manner in the long term (Wanyama, 2016). It can be defined as the financial health, stability and independence of an institution without the need to depend on external assistance (Ledgerwood, Earne, and Nelson, 2013). Financial sustainability is a measure of how an organization is staying afloat, operating efficiently, and able to meet its financial commitments and provide services to its stakeholders (African Development Bank, 2019).

Some of the theoretical perspectives used in this study include Agency Theory and Stewardship Control Integration Theory.

Jensen and Meckling (1976) developed Agency Theory to illustrate the relationship that exists when the ownership and management are different in an organization. Here the owners, who are termed as principals, entrust the administration of the business to managers who are called agents. The theory posits that agents do not necessarily represent the best interest of the principals, primarily due to having personal interests and in most instances, they are better equipped with information about the organization than the owners. Eisenhardt (1989) also elaborates that agents have self-interest which can be abused by them as long as no appropriate supervision is exercised. This is compounded by the fact that owners and managers have a gap in information since the agents are more engaged in day-to-day activities. In response to this, principals tend to initiate control systems like reporting systems, supervision and performance-based incentives to make the agents align their interests with their own. Practically, internal controls can be regarded as a significant instrument to reduce such agency-related issues. Segregation of duties, authorization of transactions, and good documentation are some of the measures that can assist in minimizing the risk of misuse of resources. Such controls foster accountability and ease in identifying both errors and fraud (COSO, 2013). Agency Theory is especially applicable in SACCOs. According to Wanyama (2016), the members of the SACCO make their contributions to it as their savings, but leave the tasks of managing those funds to their elected leaders and employees. Members have no say in the day-to-day operations of the SACCO, and thus have to rely on the management to be responsible. This division may cause conflicts of interest and therefore good internal control systems are needed to protect the funds of members. There is also significance of monitoring activities in solving agency problems. Frequent in-house auditing and supervision systems assist in detecting errors, adherence to set protocols and enhanced accountability. Moreover, responding to the audit recommendations is also valuable, as it enhances trust between the management and members and also enhances the general control systems (Institute of Internal Auditors, 2017). Mwangi and Njuguna (2020) suggest that the Agency Theory can be effectively used to explain the relationship between internal controls and the organizational performance. With good internal controls, they minimize financial mismanagement, enhance discipline and facilitate improved financial performance in terms of profitability, liquidity and recovery of loans. This renders the theory applicable in determining the financial viability of SACCOs. But there are limitations to the theory. According to Donaldson and Davis (1991), it has the tendency of assuming that managers are always selfish and thus cannot be left without supervision.

2.2 Theoretical Review

The research is informed by some of the main theoretical viewpoints, such as Agency Theory and Stewardship Control Integration Theory.

2.2.1 Agency Theory (Jensen & Meckling, 1976)

Jensen and Meckling (1976) developed the Agency Theory to elaborate a relationship that exists when ownership and management are separated in an organization. In the case, the owners, who are referred to as principals, entrust the management of the business to managers, who are referred to as agents. According to the theory, agents will not necessarily act in the best interest of the principals, primarily because they have their own personal objectives and in most cases they have more information about the organization than the owners. Eisenhardt (1989) also adds that agents are driven by self-interest, and thus can utilize their status in case they are not properly supervised. This is exacerbated by the lack of information between the owners and managers since the agents are more engaged in day-to-day activities. To solve this, principals tend to bring about control systems like reporting systems, supervision, and performance-incentives to counter the interests of the agents with their own. Practically, internal controls can be a valuable mechanism of reducing such agency-related problems. Segregation of duties, authorization of transactions, and documentation of transactions are some measures that reduce chances of misuse of resources. Such controls enhance accountability and facilitate the detection of errors, as well as fraud (COSO, 2013). The applicability of the Agency Theory is especially evident in SACCOs. According to Wanyama (2016), SACCO members deposit their savings, but leave the administration of their funds to an elected board and employees. As the members do not participate in the day-to-day operations of the SACCO, they have to rely on the management to be responsible. This division may lead to conflict of interest and a well-built internal control systems are needed to protect the money of the members. Surveillance is also relevant in dealing with agency issues. Frequent internal audits and monitoring systems aid in correcting errors, adherence to the laid down procedures, and enhance accountability. Moreover, it is relevant to act on audit recommendations because it increases the level of trust between the management and members and enhances the overall control systems (Institute of Internal Auditors, 2017). Mwangi and Njuguna (2020) assert that Agency Theory offers a valuable theory to explain the relationship that exists between internal controls and organizational performance. With effective internal controls, the likelihood of financial mismanagement is low, discipline is enhanced, and enhanced financial performance in terms of profitability, liquidity, and loan recovery. This renders relevance of the theory in determining the financial sustainability of SACCOs. But there are limitations of the theory. According to Donaldson and Davis (1991), it has a tendency of assuming that managers are self-interested all the time and cannot be trusted without a close supervision. This might not be entirely true in collaborative environments where common values and shared accountability is mostly stressed. Moreover, over surveillance might raise the costs of operation and lead to a feeling of mistrust which can create negative impact within the working environment.

2.2.2 Complementary Theory: Stewardship Theory

Another theory that holds a divergent view to that of Agency Theory is Stewardship Theory by Donaldson and Davis (1991). The theory is based on the premise that managers are capable of acting as stewards, in other words, they are pre-disposed to do what is in the best interest of the organization and its stakeholders (rather than acting in their own interest). It is more focused on responsibility, dedication and on the wish to attain organizational objectives as opposed to overreliance on rigorous monitoring and control. According to Davis, Schoorman and Donaldson (1997), stewards appreciate trust, collaboration and long term relationships. They do not necessarily do it out of a desire to enrich themselves but because of a feeling of accomplishment and organizational success. This view is especially applicable in cooperative contexts where collective ownership makes people accept collective responsibility and stick to the objectives. This is applicable in the case of SACCOs where the management is able to serve the members in the best interest by ensuring that funds are used in a proper manner, transparency is maintained and that growth is sustainable. In this perspective, internal controls do not just aim at uncovering malevolence but also direct decision-making and enhance organizational governance (Wanyama, 2016). Close control environment is significant to follow this approach. According to COSO (2013), the leadership behavior that is ethical and accountable is a good example to employees. This promotes good behaviour in the organization and minimizes chances of fraud and mismanagement. Considering risk assessment in the light of stewardship makes it a more proactive exercise. As Fraser and Simkins (2016) note, managers who consider themselves stewards have higher chances of detecting possible risks at an early stage and implement strategies to manage them. This aids in safeguarding the organization as well as financial sustainability in the long run. Control activities also play a role in offering structure to the day-to-day operations. Segregation of duties, proper authorization, and good documentation are some of the practices that ensure that activities are executed properly and managers, at the same time, are able to make good decisions. These are measures that facilitate efficiency and accountability without restricting responsible management (Moeller, 2014). Supervision, such as internal audit and performance review are perceived as chances to improve and not punitive. Periodical review assists in discovering the areas of weakness, enhancing performance, and sustaining the level of accountability, and still, retain credibility between the management and stakeholders (Institute of Internal Auditors, 2017).

2.3 Empirical Review in Relation to Study Objectives

2.3.1 Control Environment and Financial Sustainability

COSO (2013) points out that the basis of an internal control system is its control environment. It defines the manner in which the organization is governed, the degree of ethical conduct anticipated and the degree to which accountability is taken seriously. A good control environment would facilitate in making sure that operations are conducted in an open manner, rule is adhered to and resources are managed in a prudent way in the case of SACCOs where members put their savings under the care of management. This environment is formed by two important factors: dedication of management to internal controls and a distinct organizational structure. These factors highly influence the extent to which policies and procedures are followed in practice. The clear hierarchy facilitates delegation of duties and responsibility. When there are role definitions, the employees know what is expected of them and who to report to, as Moeller (2014) elaborates. This lessens confusion, duplication of work, and minimizes chances of misuse of resources. It also contributes to easier operations and leads to enhanced financial performance, such as higher profitability and liquidity. Concurrently, the internal commitment of the management to internal controls is also crucial in affecting the behaviour of employees. When leaders take compliance seriously, they will have a culture of accountability. Workers will be more inclined to use existing practices and shun practices that can damage the financial status of the organization. This enhances governance and creates confidence in the stakeholders (Hayes et al., 2014). Ethical leadership is particularly relevant in the cooperative institutions where the members rely on the management to protect their money. Being honest and professionally behaving leaders contribute to the development of trust and motivate responsible decision-making, which facilitates the long-term financial performance (Wanyama, 2016). Another significant parameter of the control environment is staff competence. According to Hayes et al. (2014), employees who have an appropriate training and the chance to develop their skills are better prepared to adhere to internal control processes, keep proper records, and identify possible problems at the initial stage when they occur. Experienced employees have fewer chances of committing expensive mistakes, thus saving the organization resources. The control environment is also enhanced by effective communication in the organization. Employees can work in line with the organizational expectations when the management communicates policies and expectations (COSO, 2013). Fraser and Simkins (2016) also note that the well-governed organization is more likely to be proactive with regard to identifying risks and implementing preventive measures. It assists in protection of assets and minimization of financial losses, which in the long-term helps in sustaining sustainability. The involvement of the member in the governance also helps in a better control environment. The members can control the decisions made by the management when they attend meetings or engage in oversight committees and make sure that the decisions made by management meet the interest of the group (Wanyama, 2016). A study conducted by Mwangi and Njuguna (2020) reveals that SACCOs that have good control environments tend to be financially successful. This is mostly because with disciplined management, resources are used better and less waste is incurred, which consequently enhances profitability and cash flow. Conversely, weak control environments which are defined by ambiguity of structures and lack of control tend to give rise to issues which include fraud, bad management and inefficiencies. These problems may have adverse impacts on financial sustainability and diminish the confidence of members to the institution (Moeller, 2014). An effective control environment also promotes the other elements of internal control. In its absence, risk assessment, control activities, and monitoring might not work as expected (COSO, 2013). Finally, the culture established by leadership defines the internal controls as being effective or just on paper. Companies that foster responsibility and ethical behaviors have greater chances of attaining sustainable financial prosperity (Hayes et al., 2014).

2.3.2 Monitoring Activities and Control Activities on Financial Sustainability

COSO (2013) defines control activities as policies and procedures that are implemented to ensure that the management directives are well followed. These activities are relevant in SACCOs to control how money is spent and ensure that the money of the members is not abused. Among the most important factors are the segregation of duties, appropriate authorization of the transactions, and maintenance of correct records which contribute to the augmentation of accountability as well as effective operations. The separation of duties is one of the things. According to Moeller (2014), sharing responsibilities with various individuals minimizes the chances of fraud and mistakes since no individual is involved in all the processes in a transaction. Such a design restricts the possibilities of manipulation and enhances the overall control. There are also necessary procedures of authorization. Transactions have to be authorised by specific personnel before they are executed. This makes sure that financial practices like lending and spending abide by laid down policies and this encourages discipline and good financial management (Hayes et al., 2014). Control activities are also supported by proper documentation and record keeping. Keeping proper records gives evidence of the transactions made and enhances transparency, which helps the management to track the finances made. It simplifies the preparation of reliable reports and answering audit requirements, as well (COSO, 2013). Clearness and standardization of the procedures contribute to establishing uniformity in the operations and minimize delays. This not only enhances efficiency, but also service delivery to members. A high level of efficiency in delivering the services leads to a higher level of satisfaction among the members, and this can have a positive impact on the financial performance of the SACCO (Moeller, 2014). Monitoring activities are used to complement control activities as they provide a check that the controls are still operating as intended. This is done through frequent supervision, reviews, internal audits to determine the usefulness of the current controls (Institute of Internal Auditors, 2017). In the case of internal audits, the independent review of financial operations is provided. They assist in uncovering areas of weakness, whether procedures are being adhered to, and suggest ways of improving them to enhance accountability and governance. Action on audit findings is also important. Unless they are properly followed up, the weaknesses identified might remain and still impact performance. The application of audit suggestions assists in rectifying problems and enhancing the entire control framework (Institute of Internal Auditors, 2017). Mwangi and Njuguna (2020) observe that companies with effective monitoring mechanisms are less likely to report cases of frauds and are more likely to report positive financial results, primarily due to the ability to uncover and deal with issues early on. Transparency is also promoted through monitoring since the stakeholders of the organization are presented with credible information regarding the performance of the organization and its financial status. With effective control systems that surround loan processing, there is an improvement in the rate of repayment which enhances cash flow and helps in liquidity management..

2.3.3 Relationship between Internal Controls and Financial Sustainability

Internal controls are usually considered as relevant in ensuring that resources of an organization are utilized in an efficient and responsible manner. COSO (2013) defines internal controls as policies, procedures, and routine practices that are made to protect assets, maintain a sound financial reporting, and normally encourage adherence to laws and regulations. These controls offer a systematic means of dealing with risks in a financial institution like the SACCOs, besides facilitating the attainment of operational goals. Financial sustainability, in its turn, can be defined as the capacity of an institution to earn sufficient revenue to cover its operating expenses and be stable in the long term.

In the case of SACCOs, this has been mostly determined by how they handle the savings and loan portfolio of the members. Lack of financial stability can lead the institution to the loss of the trust of financial members and in the worst scenario, shut down (Wanyama, 2016). Enhanced profitability is one of the major ways in which internal controls can help in sustainability. Organizations can better control costs by minimizing losses which occur due to fraud, inefficiencies, and operational errors. According to Brigham and Ehrhardt (2017), when an organization has strong control systems, it is capable of maximizing its resource usage, resulting in a better financial performance. With SACCOs, this is to see that the income earned, particularly interest, is adequate to pay operating costs. Another critical factor that is affected by internal controls is liquidity. With proper monitoring of the cash flows, frequent balancing of accounts and proper financial planning the SACCOs can more easily cover the short term obligations like the withdrawal by the members and the day to day expenses. The necessary liquidity is necessary to continue operations and maintain the confidence of the members. The recovery of loans is also a major focus in financial sustainability since a significant percentage of SACCO assets are loans. Proper control measures in loan issuance, disbursing and following up will contribute towards making sure that loan borrowers fulfill their repayment duties. According to Ledgerwood et al. (2013), good credit management practices lower the default rates and enhance the quality of the loan portfolio as a whole hence enhancing the financial stability. Risk management is also enhanced by internal controls which assist institutions to detect and act on possible threats. These can be economic shock, defaults on loans or failure in operations. Fraser and Simkins (2016) note that the organizations that proactively evaluate the risks and implement preventive actions can more easily avoid major losses and ensure a stable performance. Proper financial reporting is another significant product of good internal controls. Financial information that is reliable helps the management to make sound decisions in terms of budgeting, investments and operational planning. Reporting transparency also increases accountability to members and regulators, and increases the credibility of the institution (COSO, 2013). Moreover, internal controls facilitate accountability whereby transactions are effectively approved, documented and audited. This lowers chances of misuse or misappropriation of funds and resources are utilized according to their intended purposes. This type of accountability is especially necessary in cooperative institutions whereby members share the ownership of the organization. Effective internal control systems also help in instilling member confidence. When the members feel secure that their savings are safe and properly managed, they will be willing to save and borrow at the SACCO. The greater participation can be used to enhance the capital base and promote sustainability in the long term (Wanyama, 2016). This is further supported by empirical studies. To illustrate, Mwangi and Njuguna (2020) have discovered that financially, SACCOs that have effective control systems perform better, being more profitable, exhibit better liquidity and a higher loan repayment rate. Internal controls have also been improved due to advancement in technology. The automated systems enhance accuracy, minimize human error, and ease real time monitoring of transactions. This helps in efficient financial management and aids in sustainable operations. The performance of internal controls however, is affected mostly by the level of implementation and maintenance of the internal controls. Ineffective or even ineffective controls can be ineffective at preventing financial issues, and can in fact lead to higher administrative expenses (Moeller, 2014). This is why the internal control systems should be monitored regularly and continuously. Continuous enhancements are used to ensure that the controls do not become obsolete and are able to respond to any emerging risks to enable the organization to run smoothly in the long run.

2.4 Conclusion and Literature Gap.

Based on the reviewed literature, it is evident that internal control systems play significant roles towards the financial sustainability of SACCOs. Some of the studies indicate that the elements of the control environment, risk evaluation, control undertakings and monitoring lead to enhanced governance, accountability, as well as efficiency in operations. When these controls are used in the right manner, they assist in reducing fraud, reducing financial losses, enhancing loan recovery, ensuring stable liquidity and promoting profitability. These are crucial in the long-term sustainability of cooperative financial institutions. The literature shows also that SACCOs that have a better governance structure and monitoring systems are more likely to perform better and have a higher level of trust among members (COSO, 2013; Wanyama, 2016; Mwangi and

Njuguna, 2020). Despite these findings, it continues to be a gap in our understanding on how the various internal control components interoperate in practice, particularly at individual SACCOs. Most of the previous research has talked of internal controls in a broad manner or has concentrated more on the overall financial performance and not in the individual elements. As an example, the extent to which the organizational structure is clear or not, the degree to which the management is committed, the extent to which the separation of duties is done, the extent to which the audit process is observed, the extent to which the audit recommendations are observed and the extent to which they are implemented is not always scrutinized. Due to this, it is not clear which elements can have the most significant impact on financial sustainability. This paper hence aims at investigating the influence of internal control elements on financial sustainability of Tumaini SACCO in Arusha, Tanzania.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

In this chapter, the author will describe the data collection and analysis techniques that were applied in this research paper on the impact of internal control elements on financial sustainability of the Tumaini Savings and Credit Cooperative Society Limited (Tumaini SACCO). It explains the steps involved in the process of conducting a research to make certain that the data gathered was valid and would be of use in the study. The chapter is divided into a number of sections such as the research design, the target population and sample, sampling techniques, data collection methods and tools, data collection procedures, methods of data analysis, and the ethical considerations observed. The sections provide a description of the way the study was carried out to respond to the research objectives and answer the research questions.

3.2. Research design

The study employed a cross-sectional research design to test the relationship between internal control elements and financial sustainability of Tumaini Savings and credit cooperative society limited (Tumaini SACCO). This method is only applicable in gathering data at a single point of time, thus it is appropriate in knowing the prevailing nature of the internal control practices and the financial metrics like profitability, liquidity and loan recovery. The correlational design was also applied in the study to investigate the relationship amongst the variables. Moreover, the regression analysis was conducted to highlight the degree to which the impact of the independent variables, control environment, control activities, and monitoring activities, affect financial sustainability. These techniques enabled the determination of the relationship between changes in the practices of internal controls and the changes in the financial performance in the SACCO.

3.3 Target population

The research was directed to the employees of the following departments: accounting and finance, internal audit, credit and loans, administration, customer service, information technology, and management. These people were deemed to be relevant since they are directly engaged in the implementation process of internal control systems and the monitoring of their effectiveness. The total population of the study was 47 employees in Tumaini SACCO. This population was suitable in the study because they are involved in the daily operations of the SACCO and they are conversant with the internal control practices and vital elements of financial sustainability such as profitability, liquidity and loan recovery..

3.4 Sampling

The Yamane formula (1967) of the determination of a sample size is applicable to a study that has a finite population. With the total population of 47 employees, the formula gave a sample size of 42 respondents. Data collection was then done on this group. The sample size was well chosen to make sure the information obtained was valuable and reflective of the opinions and experiences of the whole population (Hannah, 2026)..

3.5 Sources of data

3.5.1 Primary sources

Direct primary data was used to conduct this research where employees of Tumaini Savings and Credit Cooperative Society Limited (Tumaini SACCO) were directly used as the primary data. The primary source of information collection was structured questionnaires, in certain cases, short interviews were also held to obtain supplementary information. The respondents were the staff of various departments including accounting and finance, internal audit, credit and loans, administration, customer service, information technology, and management.

3.5.2 Secondary Sources

Secondary data is the information that has been recorded and gathered by other sources. The sources used to get such data in this study, included organizational reports, financial statements, policy documents and internal audit reports of Tumaini SACCO, where possible. Besides this, the researcher also examined literature including academic journals, textbooks, government publications, regulatory reports and other pertinent literature on internal controls and financial sustainability of cooperative financial institutions. .

3.6 Data Collection Instruments

The research primarily used questionnaires as the primary data collection tool, as it was easier to claim enough and credible information on the respondents based on the study objectives..

3.6.1 Questionnaire

The primary instrument that was employed to gather data in this research was a questionnaire. This entailed giving the respondents written questions that they answered themselves. The use of the questionnaire was deemed proper as it allowed gathering information about a relatively big number of employees within a limited time frame. It was specifically addressed to employees in the field of financial management and internal control as they were at a better position to give information on this. The questionnaire was made up of open and closed ended questions. Closed ended questions were applicable in the statistical analysis, and open ended questions helped the respondents to say their opinion as well as provide their experiences in greater detail. The blend of the two categories of questions also aided the researcher to obtain the quantitative data as well as a better understanding of how internal control practices affect financial sustainability in the SACCO.

3.7 Data Processing, Analysis and Presentation

3.7.1 Data Processing

Data was gathered using respondents and was highly processed in order to be accurate and complete. This was by coding the responses, tabulating them based on the study variables, and ensuring consistency. The researcher also revised the data to detect and resolve any incomplete or inconsistent responses and then proceeded to analyse the data. Once this had been done, the data was organized in a format that could be analyzed statistically.

3.7.2 Data Analysis

The Statistical Package of Social Sciences (SPSS) was used to carry out data analysis. This software was appropriate as it is able to process quantitative data and to analyze the correlation between two or more variables simultaneously. The research was aimed at studying the relationship between internal control aspects and financial sustainability indicators. The data collected were summarized using descriptive statistics like frequencies, percentages, means and standard deviations. Besides this, linear correlation coefficient of Pearson was used to establish the strength and direction of the relationship between internal control components and financial sustainability. The degree to which the independent variables affect the dependent variable was also determined by the use of regression analysis.

3.7.2.1 Reliability of the data collected

Reliability Statistics	
Cronbach's Alpha	N of Items
.987	106

Table 1: Reliability of the data collected

The Statistical Package of Social Sciences (SPSS) was used to carry out data analysis. This software was appropriate as it is able to process quantitative data and to analyze the correlation between two or more variables simultaneously. The research was aimed at studying the relationship between internal control aspects and financial sustainability indicators. The data collected were summarized using descriptive statistics like frequencies, percentages, means and standard deviations. Besides this, linear correlation coefficient of Pearson was used to establish the strength and direction of the relationship between internal control components and financial sustainability. The degree to which the independent variables affect the dependent variable was also determined by the use of regression analysis.

3.7.3 Data Presentation

The frequency tables, charts and graphs were used to present the analyzed data to summarize the quantitative findings using descriptive statistics. These instruments simplified the process of finding patterns and knowing the relationship of the variables. In the qualitative responses of the open-ended questions, the researcher was able to categorize the similar ideas into themes. This assisted in structuring the information and in understanding the responses. By doing this, it was simpler to know whether the data was collected answered the research questions and fulfilled the research objectives.

3.8 Ethical Considerations

The researcher adhered to ethical principles throughout the research, to safeguard the rights and well-being of all participants. Anonymity and confidentiality was ensured by not gathering unwarranted personal information. The participants were assured that the information that they will give will not be given to the wrong hands and will only be utilized in academic purposes. The privacy of the participants was to be safeguarded which was a factor in gaining trust and eliciting truthful answers. Participants in the study were not compelled to join the study. The respondents were at liberty to refuse or pull out any time they wanted without any consequences. An informed consent was done by clarifying the objective of the study, the kind of questions to be asked and the use of the data. Only participants who volunteered were involved. Besides, the researcher got a letter of introduction to the institution which acted as a formal permission to undertake the study. This letter assisted in the introduction of the researcher and the purpose of the research to the SACCO management and the respondents. It was also necessary to request the concerned authorities at Tumaini SACCO to approve the process of data collection, so that it is smoothly done and in accordance with the requirements of the institution.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION OF THE FINDINGS

4.1. Introduction

The results of the study have been presented in this chapter with a response rate of 85.70%.

Table 2: Response rate

Category	**Frequency**	**Percentage (%)**
Questionnaires Distributed	42	100%
Questionnaires Returned (Filled)	36	85.70%
Questionnaires Not Filled	6	14.30%
Total	42	100%

Primary data, 2026

As indicated in the table, of the 42 questionnaires that were issued, 36 were filled and returned by the respondents, and the remaining 6 were returned without being filled.

4.1.1 Gender of the Respondents

Table 3: Gender of the respondents

the gender of the respondent					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	MALE	17	47.2	47.2	47.2
	FEMALE	19	52.8	52.8	100.0
	Total	36	100.0	100.0	

Primary data, 2026

The results indicate that the majority of the respondents were women, who constitute 52.8% (19 respondents), and men, who constitute 47.2% (17 respondents). This implies a relatively equal gender balance though the female gender was a bit more represented in the research

4.1.2 Age of the Respondents

Table 4: Age of the respondents

the age of the respondent					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	21 – 30 years	5	13.9	15.6	15.6
	31 – 40 years	23	63.9	71.9	87.5
	above 41 years	4	11.1	12.5	100.0
	Total	32	88.9	100.0	
Missing	System	4	11.1		
Total		36	100.0		

Primary data, 2026

The findings revealed that most of the respondents were aged between 31 and 40 years with the age group constituting 71.9 (23 respondents) of the total respondents meaning that most of the respondents were within their working age bracket. A smaller percentage of 15.6% (5 respondents) were aged between 21-30 years, and 12.5% (4 respondents) aged above 41 years which indicates that the representation of young and old persons is low. Moreover, 11.1% of the responses were not completed, i.e., some respondents did not give information about their ages.

4.1.3 Level of education of the respondents

Table 5: Level of education of the respondents

The level of education of the respondent					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Certificate	2	5.6	5.6	5.6
	Diploma	13	36.1	36.1	41.7
	Bachelors	16	44.4	44.4	86.1
	Masters	4	11.1	11.1	97.2
	Others	1	2.8	2.8	100.0
	Total	36	100.0	100.0	

Primary data, 2026

The findings showed that most respondents had a bachelors degree which represented 44.4% (16 respondents) and then a diploma represented 36.1% (13 respondents). A lower percentage had a master degree (11.1%), with very few respondents having a certificate (5.6%), or other qualifications (2.8%), indicating that the majority of the respondents were quite well-educated.

4.1.4 The department held

Table 6: The department held

The department held					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Accounting /Finance	1	2.8	2.8	2.8
	Credit/ Loans	14	38.9	38.9	41.7
	Internal Audit	15	41.7	41.7	83.3
	Administration customer care	2	5.6	5.6	88.9
	ICT	1	2.8	2.8	91.7
	6	3	8.3	8.3	100.0
	Total	36	100.0	100.0	

Primary data, 2026

The findings indicate that the majority of the respondents represented Internal Audit department, with 41.7% (15 respondents) and Credit/Loans department with 38.9% (14 respondents) as the next most represented. The remaining departments, such as Administration/Customer Care (5.6%), Accounting/Finance (2.8), ICT (2.8), and others (8.3) were less represented. This implies that a high percentage of the respondents were directly engaged in control and loan management activities in the SACCO.

4.1.5 The years of experience of the respondents

Table 7: The years of experience of the respondents

The year of experience of the respondents					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	below 2 years	14	38.9	38.9	38.9
	2 -5 years	21	58.3	58.3	97.2
	6 - 10 years	1	2.8	2.8	100.0
	Total	36	100.0	100.0	

Primary data, 2026

The results show that the majority of the respondents were experiencing between 2 and 5 years of experience, which was 58.3% (21 respondents) or a moderately experienced workforce. There were quite a number of less than 2 years experienced (38.9% or 14 respondents), and few between 6 and 10 years experienced (2.8% or 1 respondent). This implies that the study did not have a high representation of highly experienced staff.

4.1.6 Position held in the Sacco

Table 8: Position held in the Sacco

Position held in the SACCO					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SACCO Manager	4	11.1	11.4	11.4
	Accountant	4	11.1	11.4	22.9
	Credit/ Loans officer	10	27.8	28.6	51.4
	Customer service officer	3	8.3	8.6	60.0
	Administrative officer	2	5.6	5.7	65.7
	Recovery officer	12	33.3	34.3	100.0
	Total	35	97.2	100.0	
Missing	System	1	2.8		
Total		36	100.0		

Primary data, 2026

The results indicate that the majority of the respondents were Recovery Officers (34.3% 12 respondents) and then Credit/Loans Officers (28.6% 10 respondents). This implies that there were many participants who were directly engaged in loan management and recovery efforts. The other positions like SACCO Managers and Accountants comprised 11.4, 11.4% of the respondents respectively, whereas Customer Service Officers (8.6) and Administrative Officers (5.7) were underrepresented. Another observation was that 2.8% of the responses were not present..

4.2 To assess the effect of the control environment on the financial sustainability of SACCOs

Table 9: To assess the effect of the control environment on the financial sustainability of SACCOs

	Mean	Std. Deviation
Control Environment		
The SACCO has a clear organizational structure that defines roles and responsibilities.	5.00	.000
Management demonstrates commitment to maintaining effective internal controls.	4.72	.454
Employees understand their responsibilities regarding internal control procedures.	4.83	.447
Management promotes ethical behavior and accountability in financial operations.	5.00	.000
Employees are provided with adequate supervision to ensure compliance with internal control policies.	4.78	.422
Management sets clear guidelines for internal control practices.	4.81	.577
There is a clear chain of command within the SACCO	4.75	.439
Employees are held accountable for their actions in financial processes.	4.74	.443
Internal control policies are well communicated to all staff.	4.72	.454

Management supports a culture of transparency and integrity.	4.44	.504
Risk Assessment		
The SACCO regularly conducts assessments to identify potential financial risks.	4.44	.504
Management takes appropriate measures to address risks identified within the SACCO.	4.73	.452
There are established policies for managing financial and operational risks.	4.41	.500
Employees are informed about risks that may affect SACCO operations.	4.44	.504
Risk assessment is conducted before major financial decisions are made	4.44	.504
The SACCO updates its risk management strategies regularly.	3.94	1.235
Potential risks are documented and monitored continuously.	4.21	.820
Management anticipates risks that may affect loan recovery.	3.89	1.008
There are clear procedures for reporting risks within the SACCO.	4.17	.845
Risk assessment helps in reducing financial losses in the SACCO.	5.00	.000
Control Activities		
Duties and responsibilities are properly segregated among employees.	5.00	.000
Financial transactions require proper authorization before approval.	4.82	.584
Financial records and documents are properly maintained.	4.72	.454

Standard procedures are followed when processing financial transactions.	4.83	.447
Access to financial records is restricted to authorized personnel.	5.00	.000
There are checks and balances in financial transactions.	4.78	.422
All transactions are supported by proper documentation.	4.67	.717
Errors in financial records are identified and corrected promptly.	4.75	.439
Internal procedures are consistently followed by employees.	4.74	.443
Control activities help prevent fraud and financial mismanagement.	4.72	.454
Monitoring Activitiess		
Internal audits are conducted regularly in the SACCO.	4.44	.504
Management reviews financial reports periodically.	4.44	.504
Audit recommendations are implemented to improve internal controls.	4.72	.454
Internal control systems are evaluated regularly to identify weaknesses.	4.41	.500
There is continuous monitoring of financial activities in the SACCO.	4.36	.593
Management follows up on issues identified during audits.	4.28	.701
Performance reviews are conducted to assess financial operations.	3.89	1.260
Monitoring systems help detect errors and fraud early.	4.21	.820
Internal control weaknesses are reported promptly.	3.91	1.011
Monitoring activities improve overall financial management in the SACCO.	4.14	.845
Valid N (listwise)		

Primary data, 2026

The result indicates that the respondents have a very high degree of agreement on various aspects of internal control. A 100 percent agreement was reached as all respondents said that the SACCO has a well-defined organizational structure that assigns roles and responsibilities and management is encouraging ethical behavior and accountability in financial operations. The highest mean score of 5.00 was obtained in these aspects. On the same note, all the respondents believed that risk assessment is useful in minimizing financial losses, separation of duties among employees is well-done, and only authorized employees have access to financial records, which also scored an average of 5.00. This is a great confidence in these fundamental control mechanisms. Other significant practices had a big majority of the respondents agreeing. It was found that regarding internal control procedures, 96.6% of the respondents noted that employees are aware of internal control procedures and that the standard procedures are being used when performing financial transactions with a mean of 4.83. Moreover, 96.4% said that the financial transactions need authorization before they can be performed whereas 96.2% believed that the management sets clear internal control policies. These were the means of 4.82 and 4.81 respectively. Moreover, 95.6% of the respondents believed that employees are being supervised well and that there are checks and balances in financial dealings with both items registered at 4.78 as the mean. It was also found that 95 percent of the respondents agreed that there existed a clear chain of command and that any mistakes in financial records are identified and corrected in time with a mean of 4.75. Next to this, 94.8% indicated that employees are held accountable and procedures are adhered to consistently with an average of 4.74. Besides, 94.6 percent stated that management also takes the right actions in order to respond to the risks and 94.4 percent stated that management is dedicated to internal controls, that it communicates policies and that the control activities help prevent fraud. These are the mean scores obtained (approximately 4.72). Also 94% affirmed that financial records are well kept and 93.4% affirmed that transactions are backed by sufficient documentation with a mean of 4.67. There was also a bit less, yet very good, concord on some areas. Approximately 88.8 percent of the respondents believed that the management enhances transparency and honesty, that the risk assessment is done on a regular basis and that the employees are aware of risks. They also revealed that risk assessment is taken into account prior to making major decisions and internal audits and financial reviews are conducted. The mean scores of these items were 4.44. Moreover, the 88.2% said that they had risk management policies in place and that internal control systems are periodically assessed with a mean of 4.41. Approximately, 87.2% said that they are constantly monitored in financial activities and the average was 4.36. Additional results indicate that 84.2% of the respondents believed management acts on audit matters, and the mean is 4.28. Approximately 84 percent responded that the potential risks are recorded and that monitoring systems will help identify errors and fraud at an early stage with an average of 4.21. Nevertheless, there were a few locations where a comparatively low level of agreement could be found. It was found that 82.8% agreed that there are definite process of reporting risks, with a mean of 4.17 and the same proportion believed that monitoring activities enhance financial management, but with a lower mean of 4.14. The lowest ratings of agreement were obtained on the following issues: updating risk management strategies, future risks that may impact loan recovery, performance reviews and timely reporting internal control weaknesses. These were between 77% and 79 and the mean scores were 3.89-3.94

4.3 Financial Sustainability

Table 10: The financial sustainability

	Mean	Std. Deviation
Profitability		
The SACCO generates sufficient income to support its operations.	5.00	.000
Effective internal controls help reduce financial losses.	4.83	.447
The SACCO has experienced improvement in financial performance over time.	4.75	.439
Proper financial management contributes to increased profitability.	4.74	.443
Internal controls support effective utilization of SACCO resources.	4.72	.454
The SACCO consistently records surplus income at the end of financial periods.	4.44	.504
Operational costs are well-controlled within the SACCO.	4.44	.504
Revenue collection systems in the SACCO are efficient.	4.72	.454
Financial decisions contribute positively to the SACCO's income generation.	4.41	.500
Profitability levels of the SACCO are stable over time.	4.44	.504
Liquidity		
The SACCO is able to meet its short-term financial obligations.	4.44	.504
The SACCO maintains adequate cash reserves.	3.89	1.260
Financial management practices help maintain sufficient liquidity.	4.17	.845
Internal controls help prevent cash mismanagement.	3.89	1.008
The SACCO is able to meet members' withdrawal demands promptly.	4.17	.845
Cash flow within the SACCO is effectively monitored.	4.21	.820

The SACCO maintains a balance between income and expenditure.	3.89	1.008
There are minimal delays in meeting financial obligations.	4.17	.845
Liquidity management policies are effectively implemented.	5.00	.000
The SACCO rarely experiences cash shortages.	5.00	.000
Loan Recovery		
Loan repayment is effectively monitored in the SACCO.	4.82	.584
The SACCO has effective loan recovery procedures.	4.72	.454
Internal controls help reduce loan default rates.	4.41	.500
Credit monitoring systems help ensure timely loan repayment.	4.44	.504
Loan recovery performance contributes to the financial stability of the SACCO.	4.44	.504
Borrowers are regularly followed up to ensure timely repayment.	3.89	1.260
Loan appraisal procedures help minimize default risk.	4.17	.845
There is effective tracking of outstanding loans.	4.83	.447
Penalties are applied to discourage loan default.	4.75	.439
The SACCO maintains a high loan repayment rate.	4.74	.443
Valid N (listwise)		

Primary data, 2026

The results indicate that the degree of consensus among respondents was high in terms of financial performance of the SACCO. A hundred percent of the respondents (100) said the SACCO earns sufficient income to sustain its activities and the average score was 5.00, which is an indication of great confidence in its profitability. A big majority, 96.6 percent, also agreed that good internal controls, in reducing financial losses and the outstanding loans are well monitored, both having an equal mean of 4.83. Besides that, 96.4% affirmed that the effective monitoring of loan repayment is in place with an average of 4.82. Additional findings show that 95 percent of the respondents confirmed that the SACCO has been able to enhance its financial performance across the years and that sanctions are imposed to dishearten default of loans which had a mean of 4.75. On the same note, for 94.8% of the respondents, they said that proper financial management leads to profitability and that the SACCO has a high loan repayment rate with the mean value of 4.74. Approximately, 94.4 also reported that internal controls enhance effective use of resources, the revenue collection systems were effective and that loan recovery procedures were functioning well with a mean score of 4.72. Other aspects had still strong, but slightly less, agreement. Approximately 88.8 percent of the respondents affirmed that SACCO has always registered the surplus income, managed the operational costs, maintained the same level of profitability, and enjoyed good performance in terms of loan recovery. The average scores of these items were 4.44. Moreover, 88.2 per cent. agreed that financial decisions play a positive role in making income and that internal controls can help in decreasing loan default rates with the mean being 4.41. Another similar percentage also concurred that credit monitoring systems aid on time loan repayment. Liquidity results are very strongly agreed. A majority (100%) of the respondents affirmed that the liquidity management policies are well enforced and that the SACCO does not run out of cash very often, with a mean of 5.00. Approximately, 84% said that there is proper monitoring of cash flow with a mean of 4.21. Moreover, 82.8 percent responded that the financial management practices assist in the maintenance of liquidity, that the withdrawal requests are met in time and that there are few delays in the fulfilment of financial commitments with a mean of 4.17. Nevertheless, the lowest levels of agreement were observed in the components of keeping sufficient cash holdings, avoiding cash mismanagement and balancing revenues and expenses where 77 percent of the respondents agreed with the mean scores of 3.89.

4.4 The intervening variables in the study

Table 11: The intervening variables in the study

	Mean	Std. Deviation
Regulatory Framework		
The SACCO complies with cooperative regulatory requirements.	4.72	.454
Government regulations influence the financial operations of the SACCO.	4.44	.504
Regulatory policies guide financial reporting practices.	4.44	.504
External supervision improves accountability in the SACCO.	4.36	.593
Regulatory compliance strengthens financial management practices.	4.28	.701
The SACCO adheres to guidelines issued by regulatory authorities.	3.89	1.260
Regulatory requirements influence internal control practices.	4.21	.820
Regular inspections by regulators improve SACCO performance.	3.91	1.011
Compliance with regulations reduces financial risks in the SACCO.	4.14	.845
Regulatory policies enhance transparency in SACCO operations.	5.00	.000
Management competence		
Management has adequate financial management skills.	4.42	.502
Managers effectively supervise internal control systems.	4.41	.500
Management provides training on financial management practices.	4.47	.507
Management decisions contribute to financial stability.	3.86	1.264

Management experience improves internal control implementation.	4.14	.845
Management ensures proper implementation of financial policies.	4.48	.890
Managers respond effectively to financial challenges.	4.18	.716
Management promotes accountability among employees.	4.23	.884
Managers ensure that staff follow internal control procedures.	4.43	.502
Management competence enhances overall SACCO performance.	3.86	1.264
Level of technological adoption		
The SACCO uses computerized financial management systems.	4.15	.834
Technology improves the accuracy of financial records.	4.82	.459
Digital systems help monitor financial transactions effectively.	4.39	.496
Technology improves efficiency in SACCO operations.	4.45	.506
Technology enhances monitoring and control of financial activities.	4.42	.502
The SACCO uses digital systems for loan processing and tracking.	3.91	1.259
Technology reduces errors in financial reporting.	4.25	.803
Information systems support decision-making in the SACCO.	4.73	.626
Technology improves data storage and retrieval in the SACCO.	4.24	.955
The SACCO regularly updates its technological systems.	3.97	.923
Valid N (listwise)		

Primary data, 2026

The results are also very good in terms of loan recovery. Ninety-four point eight percent (94.8) of the respondents responded that penalties are employed to deter loan default, and 94.4% affirmed that the SACCO has a high loan repayment rate with the mean scores of 4.75 and 4.74 respectively. Moreover, 88.8% said that loan recovery leads to financial stability and credit monitoring system promotes timely repayment with a mean of 4.44.

It was also widely accepted that external supervision enhances accountability with 87.2% of the respondents indicating the same with an average of 4.36. On the same note, 85.6% of the respondents believed that adherence to regulations enhances financial management practices and 84% believed regulatory requirements affect internal control systems with means of 4.28 and 4.21 respectively. Besides, 82.8 per cent. concurred that compliance with regulations aids in minimizing financial risks with an average of 4.14. But a little less consensus was found on some points. Approximately, 77 percent of the respondents believed that the SACCO is always compliant with the regulatory requirements and that frequent inspections enhance performance with mean scores of 3.89 and 3.91. In terms of management competence, the findings indicate that there are a high degree of agreement. When asked on whether management has the proper implementation of financial policies, about 89.4 percent of the respondents said that it is the case, with a mean of 4.48. Correspondingly, 89.2 percent responded that management gives training on financial management practices with a mean of 4.47. Approximately 88.6% affirmed that the managers make sure that staff observe internal control procedures and 88.4% thought that the management has sufficient financial management skills with an average of 4.43 and 4.42 respectively. Moreover, 88.2% responded that management has successfully overseen internal control systems with an average of 4.41. Regarding the question on whether the management encourages the employees on accountability, 84.6% said yes with a mean of 4.23, 83.6% said yes with a mean of 4.18. Equally, 82.8% observed that the experience in management helps in improving internal controls implementation with a mean value of 4.14. But there was less unified opinion (less agreement) when 77 percent of the respondents believed that the management decisions have a direct impact on financial stability and overall performance of SACCO, with a mean score of 3.86. The findings are also in strong agreement as far as technology adoption is concerned. Only about 96.4 percent of respondents agreed that technology enhances accuracy of financial records with a mean of 4.82, and 94.6 percent of the respondents reported that information systems aid in decision-making in the SACCO with a mean of 4.73. Moreover, 89% concurred that technology increases operational efficiency, average 4.45 and 88.4% agreed that technology increases monitoring and control of financial activities, average 4.42. Additional findings indicate that 87.8 percent of the respondents concurred that financial transactions could be monitored using digital systems with an average of 4.39. Approximately 85 percent said that technology can help lessen mistakes in financial reporting and the mean was 4.25 with 84.8 percent saying it will help in enhancing data storage and retrieval with mean of 4.24. But there were areas where there was less agreement. Approximately 82.8% affirmed that the SACCO has computerized financial management systems, and the mean of 4.15, 79.4% affirmed that the systems are updated regularly, and the mean is 3.97. However, the least agreement was on the use of digital systems to process and track loans where 77% agreed with a mean score of 3.91.

4.5 Relationship between internal controls and financial sustainability

Table 12: Relationship between internal controls and financial sustainability

Correlations			
		Internal controls	Financial Sustainability
Internal controls	Pearson Correlation	1	.992**
	Sig. (2-tailed)		.000
	N	25	24
Financial Sustainability	Pearson Correlation	.992**	1
	Sig. (2-tailed)	.000	
	N	24	28
**. Correlation is significant at the 0.01 level (2-tailed).			

The correlation analysis yielded a Pearson correlation coefficient value of 0.992 between internal control systems and financial sustainability. The value is very high at 0.01 level of two tailed test and this implies a very strong positive relationship between the two variables. With a coefficient of 0.992, it can be noted that internal control system improvements and financial sustainability improvements go hand in hand. In practice, this implies that the indicators of profitability, liquidity and recovery of loans are also bound to increase with the effectiveness of internal controls. The level of significance of this relationship was 0.000, which is much lower than the standard level of 0.01. This proves that this relationship is not a chance occurrence but rather statistically significant. Thus, the findings are good evidence that the internal control systems are strongly associated with the financial sustainability of the SACCO.

4.6 Regression analysis between internal controls and Financial Sustainability

Table 13: Regression analysis between internal controls and Financial Sustainability

Model Summary

Models	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.992[a]	.985	.984	.05545

a. Predictors: (Constant), Internal controls

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.349	1	4.349	1414.534	.000[b]
	Residual	.068	22	.003		
	Total	4.417	23			

a. Dependent Variable: Financial Sustainability

b. Predictors: (Constant), Internal controls

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.691	.135		-5.129	.000
	Internal controls	1.131	.030	.992	37.610	.000

a. Dependent Variable: Financial Sustainability

The results of the ANOVA indicate the result of the regression analysis undertaken to investigate relationship that exists between internal controls and financial sustainability. The regression total squares of the regression were 4.349, indicating the amount of variation in financial sustainability which could be attributed to internal controls. Conversely, the amount of squares that the model failed to explain was 0.068. The overall variation in financial sustainability was 4.417. The average square of the residuals was 0.003 that was calculated by dividing the residual sum of squares by its degrees of freedom that was 22. The analysis further yielded an F value of 1414.534 which is very large and it shows that there is a strong relationship between the variables. The level of significance was 0.000, which is lower than the generally accepted level of 0.05. This proves the statistical significance of internal controls and financial sustainability relationship is not by chance. Thus, internal controls positively influence financial sustainability. Moreover, regression results indicated a high value of R square of 0.985. This implies that internal controls cover 98.5% of the variation in financial sustainability. Put simply, enhancement of internal control systems is closely linked to enhanced financial sustainability of the SACCO.

CHAPTER FIVE

DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

The following chapter contains the discussion, conclusions, and recommendations of the research on the impact of internal control factors on financial sustainability of Tumaini SACCO within the City of Arusha in Tanzania. The discussion section explains the implications of Chapter Four in terms of the study objective and the existing literature. The key findings based on the results and practical recommendations are also presented in the chapter, along with suggestions on how to conduct further research.

5.1 Summary of the key finding

Results provided in Chapter Four reveal that the Tumaini SACCO has implemented several internal control mechanisms, which are significant in enhancing the financial sustainability of the organization. The mean score of 5.00 is high as the respondents highly agreed that the SACCO has a well-organized structure and that the management encourages ethical conduct and accountability. This confirms the opinion of COSO that good internal controls and overall organizational performance are based on a strong control environment. The research also found out that employees have a clear understanding of their roles and responsibilities in terms of internal control processes and the mean score is high at 4.83. This will be consistent with the findings of Hayes et al. (2014), who note that effective roles enhance accountability and minimize the chances of mistakes and fraud. The desire of the management towards internal control systems was also rated to be high with a mean score of 4.72 indicating that the leadership is a major player in making sure that compliance and discipline is upheld in the organization. This observation aligns with Jensen and Meckling who believe that good control systems can be used in curbing conflicts of interest and optimizing resource management. There were quite established risk assessment practices. According to respondents, risk identification and communication is done on a regular basis and the mean scores were approximately 4.44. It confirms the claim of Fraser and Simkins (2016) that successful risk assessment enables organizations to foresee and deal with the threats that might occur. Nevertheless, the sections that dealt with updating risk management strategies and foreseeing the risks associated with loan recovery had lower mean scores that were below 4.00 indicating that risk management is yet to be considered as a fully proactive strategy. In connection with control activities, the overall mean score of the key practices, like segregation of duties, appropriate authorization procedures, and limited access to financial records, was very high and with a mean score nearly equal to 5.00. These results align with Moeller (2014), who emphasizes the role of such controls in fraud prevention and the correct financial reporting. Moreover, documentation and following of procedures were also rated high, which means that financial transactions are also well managed in the SACCO. Surveillance was also identified to be in existence with internal audits and financial reviews having an average score of approximately 4.44. This is consistent with the Institute of Internal Auditors (2017) that underscores the importance of ongoing monitoring in enhancing accountability and effectiveness of control. But other areas like performance reviews and reporting of control weaknesses in a timely manner scored lowly of approximately 3.89 by the mean, thus pointing out areas where practices in monitoring can be enhanced. The research also indicated that SACCO exhibits good financial sustainability. The respondents were all in agreement that the SACCO is making adequate income to sustain its operations with the mean of 5.00. The profitability indicators such as better financial performance and resource optimization had a high mean score of over 4.70, which attests that the SACCO is financially stable. This comes in line with the results of Brigham and Ehrhardt (2017) who believe that proper financial management can lead to profitability. Liquidity wise, the SACCO was mostly in a position to fulfil its short-term debts. Nevertheless, having enough cash reserves, and balancing income and expenditure had lower mean scores of about 3.89. This indicates that although liquidity remains fairly stable, nevertheless, there are still places where it should be addressed. Loan recovery practices had also been effective with a high level of agreement on both loan monitoring and tracking systems with both having a mean of over 4.80. This is in line with Ledgerwood et al. (2013) who observe that effective loan management systems help in financial stability.

5.2 Conclusions of the study

The findings of chapter four show that Tumaini SACCO has taken different steps to enhance internal control. Actually, the emphasis has been mostly in connection with the control environment, control activities, and monitoring. This type of emphasis is justifiable by the willingness of the organization to protect assets, enhance accountability, and reduce fraud opportunities. It must be noted however, that the strengths brought about are accompanied with a number of weak areas. These are updating the risk strategies, performance review, and previous problem, among others. In the study, it was evident that risk assessment is significant in financial sustainability of the organization. It implies that Tumaini SACCO does make requisite actions to overcome potential financial risks in relation to operation and repayment of loans issued. Meanwhile, the organization needs to strive to become proactive since its present risk assessment methodology appears to be reactive. Consequently, risk strategy review practices, risk documentations and monitoring practices should be formulated to assure effective risk mitigation. Moreover, it is required to add that the internal control systems are positively related to financial sustainability of the SACCO.

5.3 Recommendations

To begin with, the management of the SACCO must look at enhancing internal control systems whereby control procedures are periodically reviewed. Another area that the management of the SACCO should devise good practices in regards to risk management and also enhance its monitoring efforts, such as internal audit and proper follow up of issues that have been identified. It will also be important to invest on constant training of staff to ensure that they value their roles in terms of effective internal control systems as a way of maintaining financial stability. Good policies on how to recover the loans and assure that there is sufficient liquidity in the SACCO will also be constructive in promoting financial stability. In the context of policy makers and regulators, it is important that they tighten the screws to make sure that SACCOs have the right internal control systems. It will demand that they make sure that SACCOs are following the stipulated guidelines, educate them, and conduct frequent inspections and revision of policies. This will facilitate financial discipline and financial stability among SACCOs.

The areas for further research, as recommended by the literature, include exploring how other factors contribute to financial stability, such as technology changes, economic environment, and organizational cultures.

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UGANDA CHRISTIAN UNIVERSITY

SCHOOL OF BUSINESS

DEPARTMENT OF UNDERGRADUATE

A QUESTIONNAIRE FOR STAFF OF

TUMAINI SAVINGS AND CREDIT COOPERATIVE SOCIETY LIMITED

Dear Respondent,

I am HANNAH STANLEY HOTAY, a student at Uganda Christian University pursuing a bachelor's degree of science in accounting and finance. I am conducting an academic study on "The Effect of Internal Control Components on Financial Sustainability of Tumaini SACCOs in Arusha, Tanzania." The study is conducted purely for academic purposes. You have been selected to participate because of your involvement in the operations of the SACCO.

Your responses will be treated with strict confidentiality and will only be used for academic purposes.

Kindly answer the questions honestly by ticking the option that best represents your view.

Thank you for your cooperation.

SECTION A: GENERAL INFORMATION

Kindly tick [✓] in the blank spaces, the items that best describe your choice for each question

1. Gender of the Respondent

Male ☐ Female ☐

2. Age of the respondent

Below 20 years ☐ 21-30 years ☐ 31-40 years ☐ Above 41 years ☐

3. Level of Education

Certificate ☐ Diploma ☐ Bachelors ☐ Masters ☐

Others ☐

4. Department Held

Accounting / Finance ☐ Credit / Loans ☐ Internal Audit ☐

Administration Customer Service ☐ ICT ☐

5. Years of Experience in the SACCO

Below 2 years ☐ 2-5 years ☐ 6-10 years ☐ Above

10 years ☐

6. Position held in the SACCO

SACCO Manager ☐ Accountant ☐ Credit / Loans Officer ☐

Customer Service Officer ☐ Administrative Officer ☐ Loan Recovery ☐

Officer

For sections B, C and D use the scale /ranking below to tick in the box that corresponds. Please evaluate the statement by ticking in the box with the number that best suits your response.

Scale	1	2	3	4	5
Opinion	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree

SECTION B. To assess the effect of the control environment on the financial sustainability of SACCOs

1	**Internal Control Components**	Tick Appropriately				
A	**Control Environment**	**1**	**2**	**3**	**4**	**5**
1	The SACCO has a clear organizational structure that defines roles and responsibilities.					
2	Management demonstrates commitment to maintaining effective internal controls.					
3	Employees understand their responsibilities regarding internal control procedures.					

4	Management promotes ethical behavior and accountability in financial operations.					
5	Employees are provided with adequate supervision to ensure compliance with internal control policies.					
6	Management sets clear guidelines for internal control practices.					
7	There is a clear chain of command within the SACCO					
8	Employees are held accountable for their actions in financial processes.					
9	Internal control policies are well communicated to all staff.					
10	Management supports a culture of transparency and integrity.					
B	**Risk Assessment**					
1	The SACCO regularly conducts assessments to identify potential financial risks.					
2	Management takes appropriate measures to address risks identified within the SACCO.					
3	There are established policies for managing financial and operational risks.					
4	Employees are informed about risks that may affect SACCO operations.					
5	Risk assessment is conducted before major financial decisions are made					
6	The SACCO updates its risk management strategies regularly.					
7	Potential risks are documented and monitored continuously.					
8	Management anticipates risks that may affect loan recovery.					
9	There are clear procedures for reporting risks within the					

	SACCO.					
10	Risk assessment helps in reducing financial losses in the SACCO.					
C	**Control Activities**					
1	Duties and responsibilities are properly segregated among employees.					
2	Financial transactions require proper authorization before approval.					
3	Financial records and documents are properly maintained.					
4	Standard procedures are followed when processing financial transactions.					
5	Access to financial records is restricted to authorized personnel.					
6	There are checks and balances in financial transactions.					
7	All transactions are supported by proper documentation.					
8	Errors in financial records are identified and corrected promptly.					
9	Internal procedures are consistently followed by employees.					
10	Control activities help prevent fraud and financial mismanagement.					
D	**Monitoring Activities**					
1	Internal audits are conducted regularly in the SACCO.					
2	Management reviews financial reports periodically.					
3	Audit recommendations are implemented to improve internal controls.					
4	Internal control systems are evaluated regularly to identify weaknesses.					
5						

	There is continuous monitoring of financial activities in the SACCO.					
6	Management follows up on issues identified during audits.					
7	Performance reviews are conducted to assess financial operations.					
8	Monitoring systems help detect errors and fraud early.					
9	Internal control weaknesses are reported promptly.					
10	Monitoring activities improve overall financial management in the SACCO.					

SECTION C: Financial Sustainability

2	**Financial Sustainability**	Tick Appropriately				
A	**Profitability**	**1**	**2**	**3**	**4**	**5**
1	The SACCO generates sufficient income to support its operations.					
2	Effective internal controls help reduce financial losses.					
3	The SACCO has experienced improvement in financial performance over time.					
4	Proper financial management contributes to increased profitability.					
5	Internal controls support effective utilization of SACCO resources.					
6	The SACCO consistently records surplus income at the end of financial periods.					
7	Operational costs are well controlled within the SACCO.					
8	Revenue collection systems in the SACCO are efficient.					
9	Financial decisions contribute positively to the SACCO's income generation.					

10	Profitability levels of the SACCO are stable over time.					
B	**Liquidity**					
1	The SACCO is able to meet its short-term financial obligations.					
2	The SACCO maintains adequate cash reserves.					
3	Financial management practices help maintain sufficient liquidity.					
4	Internal controls help prevent cash mismanagement.					
5	The SACCO is able to meet members' withdrawal demands promptly.					
6	Cash flow within the SACCO is effectively monitored.					
7	The SACCO maintains a balance between income and expenditure.					
8	There are minimal delays in meeting financial obligations.					
9	Liquidity management policies are effectively implemented.					
10	The SACCO rarely experiences cash shortages.					
C	**Loan Recovery**					
1	Loan repayment is effectively monitored in the SACCO.					
2	The SACCO has effective loan recovery procedures.					
3	Internal controls help reduce loan default rates.					
4	Credit monitoring systems help ensure timely loan repayment.					
5	Loan recovery performance contributes to the financial stability of the SACCO.					
6	Borrowers are regularly followed up to ensure timely repayment.					

7	Loan appraisal procedures help minimize default risk.					
8	There is effective tracking of outstanding loans.					
9	Penalties are applied to discourage loan default.					
10	The SACCO maintains a high loan repayment rate.					

SECTION D: Intervening variables

3	**Statements**	Tick Appropriately				
A	**Regulatory framework**	**1**	**2**	**3**	**4**	**5**
1	The SACCO complies with cooperative regulatory requirements.					
2	Government regulations influence financial operations of the SACCO.					
3	Regulatory policies guide financial reporting practices.					
4	External supervision improves accountability in the SACCO.					
5	Regulatory compliance strengthens financial management practices.					
6	The SACCO adheres to guidelines issued by regulatory authorities.					
7	Regulatory requirements influence internal control practices.					
8	Regular inspections by regulators improve SACCO performance.					
9	Compliance with regulations reduces financial risks in the SACCO.					
10	Regulatory policies enhance transparency in SACCO operations.					
B	**Management competence**					
1	Management has adequate financial management skills.					
2	Managers effectively supervise internal control systems.					
3	Management provides training on financial management practices.					
4	Management decisions contribute to financial stability.					

5	Management experience improves internal control implementation.					
6	Management ensures proper implementation of financial policies.					
7	Managers respond effectively to financial challenges.					
8	Management promotes accountability among employees.					
9	Managers ensure that staff follow internal control procedures.					
10	Management competence enhances overall SACCO performance.					
C	**Level of technology adoption**					
1	The SACCO uses computerized financial management systems.					
2	Technology improves the accuracy of financial records.					
3	Digital systems help monitor financial transactions effectively.					
4	Technology improves efficiency in SACCO operations.					
5	Technology enhances monitoring and control of financial activities.					
6	The SACCO uses digital systems for loan processing and tracking.					
7	Technology reduces errors in financial reporting.					
8	Information systems support decision-making in the SACCO.					
9	Technology improves data storage and retrieval in the SACCO.					
10	The SACCO regularly updates its technological systems.					

Thank you for your response.

APPENDIX 2: TURNITIN REPORT

Hannah Stanley Hotay

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