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Effect of Accounting Controls on Financial Performance of Transport Sector SACCOs in Murang'a County, Kenya

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Abstract:
The study sought to evaluate the effect of accounting controls on the financial performance of SACCOs in the transport sector. The Kenyan transport sector accounts for about 8.3% of the Kenyan GDP. However, the sector faces fundamental challenges such as inadequate flow of information and investment losses due to poor record keeping, which affect the financial performance of the SACCOs in the sector. The study aimed to establish specifically the effect of financial reporting and auditing controls on the financial performance of the transport sector SACCOs within Murang'a County in Kenya. The county was selected for the study because it was found to have nurtured several successful transport sector SACCOs, such as MTN, NTK and KST, serving customers from different parts of the country. The research was founded on the agency theory. The research design used was descriptive, and a census approach targeting all the transport SACCOs within Murang'a County (that are registered under the Ministry of Co-operative Societies Development of Murang'a County) was adopted. The primary data were obtained through the use of questionnaires, while the secondary data were obtained from the SACCOs' reported audited financial statements for five years from 2017 to 2021. Data collected were thereafter analyzed with the use of descriptive and inferential statistics encompassing the regression analysis. With a response rate of 84.2%, the data collected were cleaned and analyzed through regression analysis, and the hypotheses of the study were further tested. The R Square obtained of 0.027 suggests that the independent variables (financial reporting controls and auditing controls) account for only 2.7% of the financial performance of the transport SACCOs. The study, therefore, concluded that accounting controls had no significant effect on the financial performance of the transport sector SACCOs. The study, therefore, recommends that the SASRA regulatory authority (Ministry of Co-operative Societies) should ensure that the SACCOs are well managed and regulated. The SACCOs should implement strong internal controls that would aid in improving their financial performance. Through the study, the management of the various transport SACCOs will be able to ensure proper implementation of the necessary accounting controls within the SACCOs to enhance their operations.

Keywords: *Internal control, accounting controls, financial performance, financial reporting controls, auditing controls*

1. Introduction

Accounting in an organization entails the process of identifying, analyzing, classifying, summarizing and communicating information regarding the monetary transactions that have taken place within the specified period. It involves keeping various accounts showing the totals of the various items within the organization at a specific time (Elias, 2002). The accounting process aims to provide information about the entity's financial performance, which is useful to the business managers, owners, investors, employees, suppliers and tax authorities in decision-making. Various tax authorities, such as KRA in Kenya, rely on the accounting financial statements to tell how much tax is payable by the organization (Huseyin, 2018). For uniformity and reliability, the financial statements are prepared based on various accounting frameworks such as the International Financial Reporting Standards (IFRS) and the Generally Accepted Accounting Principles (GAAP).

Globalization in the business sector has led to an increased necessity for uniform rules to ensure a similar basis for preparing financial statements (Huseyin, 2018). For the financial accounting information to be useful enough to the users, it should be accurate and reliable. This can only be possible through the establishment of a strong accounting system with proper accounting controls within the organizations. Recently, there have been several criticisms in the accounting field, which revolve around having different ways of reporting financial statements, hence the difficulty in comparison: reporting for organizations with different sizes and the different financial statements about users' needs. Bearing in mind the above criticisms, there is, therefore, a need to review the accounting framework within the various entities, including SACCOs (Huseyin, 2018).

Accounting controls entail the internal control procedures put in place in an entity to ensure the efficiency of operations and the accuracy of the financial statements prepared. They help ensure compliance with the law regarding the preparation of the financial statements issued to the relevant users. Detective accounting controls, e.g. surprise audit checks and physical count of assets, form part of the accounting controls, which help detect any possible errors. Preventive controls comprising of job rotation and segregation of duties help prevent accounting errors from happening, while corrective controls through the help of an auditor help correct the already identified errors by making the necessary adjustments (Kenton, 2021). The three categories of accounting controls revolve around the financial reporting and auditing process of the accounting statements. The constant technological changes in the business world have especially affected the accounting sector, with most of the processes being done by computerized systems. There is, therefore, the need to have adequate controls for the established accounting systems (Saeed & Ahmed, 2023).

Financial performance equates to the overall financial health of an organization (Weinzimmer, 2021). It forms part of the main areas of an organizational performance, which entails the real organization's performance results as measured compared to its expected objectives (Richard, 2009). Financial performance involves the measure of how an entity generates income through the utilization of its assets. Analysis of the financial performance helps determine a business's structure, effectiveness, potential future growth and overall performance. Measures that can be used as indicators of SACCOs' financial performance include: Profitability, liquidity, accountability, efficiency and solvency (Christian, 2015). This can also be expressed in different forms, such as return on asset (ROA), return on investment (ROI), return on equity (ROE), capital employed return and growth in sales (Sefiani, 2013). The study adopted ROA as the SACCOs' financial performance measure, which portrayed how savings and credit co-operatives utilize their assets in making revenues.

A SACCO refers to a form of co-operative society aimed at collecting members' savings together and, in return, facilitating them with loans (County, 2019). The system of internal control within the SACCOs entails the measures, guidelines and practices presiding over the day-to-day operations of the SACCO. It comprises the internal checks that prevent corruption, manipulation of financial records, misuse of SACCO resources and funds and any other misconduct amongst the members. The accounting system forms the backbone of every strong ICS. Deficiency in the accounting systems has been reported to be the cause of most of the failures among business entities (Wamukota, 2022). The SACCOs sector, specifically, has been reported to face financial management challenges that have negatively impacted the financial performance of the sector (Marita, 2013). Poor corporate governance and management of the SACCOs have been stated to inhibit their financial performance and growth. This is because the key principles of good governance, such as financial reporting and audit reports, are not observed as they should be (Chen, 2021).

The accounting controls within the SACCOs entail the policies and procedures established to ensure the reliability of the financial statements provided. It comprises the financial reporting controls and auditing controls established to ensure the efficiency and effectiveness of the accounting systems within the SACCOs. Timely provision of the financial reports within the SACCOs ensures reliance on correct and timely financial information (Odek, 2019). This requires accounting controls in every area to make sure that the stakeholders have access to information that is accurate and reliable, highlighting the true financial condition. Muthusi (2017) stated that communication should be done in all organizational departments to ensure awareness of responsibilities and even their execution. He further added that incomplete, inaccurate and false reports were also another cause of SACCO inefficiencies. The study, therefore, resolved that reliable and available information was crucial for decision-making purposes and, hence, towards the overall performance.

Positive SACCO performance in matters of finance is achievable through the elimination of the misuse of service techniques and organization systems. The crucial success factor of a SACCO is how much it can fulfill its objectives of being effective, efficient and economical (Ogetange, 2017). A SACCO's financial performance report is crucial to a distinct number of stakeholders for examining employees' stewardship and making business decisions. This reliable information can only be obtained from a valid accounting control system (Muhunyo, 2018). Implementation of good accounting controls can hence be construed to significantly contribute towards the achievement of SACCO's objectives of generating income and making profits in return. However, despite having accounting controls in place, the Kenyan SACCOs sector, including the transport SACCOs, has suffered from poor record keeping, which affects the financial performance of the SACCOs (Nyumoo, 2020).

1.1. Statement of the Problem

SACCOs in the public road transport sector in Kenya create job opportunities for a diverse number of people, including managers of the SACCOs, vehicle owners, drivers, conductors, mechanics, and staff in trucking, insurance and vehicle spare parts firms (NTSA, 2015). A significant proportion of 8.3% of the Kenyan GDP comes from the transport sector (MOTC, 2021). About 80% of the passenger-movement services and 76% of the conveyance services are accounted for by the road transport sector, which forms a key pillar in the Kenyan economy (Ministry of Transport Report, 2021).

Kenya has, since 2007, been increasing budget allocation in the development of transport infrastructure to achieve 10% growth (Kenya Vision 2030). It is also the GoK's requirement that all public transport operators belong to a specific SACCO to bring sanity and enhance the performance of the transport sector (Busienei, 2019). The sector, however, faces fundamental challenges that impact the operators' ability to achieve effectiveness, efficiency and profitability of operation (Wamwea, 2023). According to the SASRA report (2022), the D-taking SACCOs accounted for 85.76%, while the non-withdrawing deposit-taking (NWDT) SACCOs accounted for the remaining 14.37% of the total SACCO assets in Kenya, which was relatively small. The transport sector SACCOs form are a part of the NWDT, and the small contribution could be due to the poor financial performance of the SACCOs as a result of challenges such as poor record keeping of every transaction undertaken since the sector SACCOs are not yet regulated by SASRA.

Despite having accounting system controls within the SACCOs sector, there has also been investment loss through poor record keeping and compliance issues. This, in turn, negatively affects the financial performance of the SACCOs (Hanniel, 2017). The PSV owners in the transport sector face the risk of losing money by joining poorly internally managed

SACCOs with unreliable financial reports (Gathungu, 2018). In addition, despite having 19 transport sector SACCOs within Murang'a County, only one SACCO (MTN) has attained registration under SASRA (SASRA Report, 2023). Little attention has, however, been given to the accounting controls and the transport sector SACCOs' financial performance (since the creation of the transport SACCOs), hence the interest behind this study.

1.2. Objectives of the Study

1.2.1. General Objective

To evaluate the effect of accounting controls on the financial performance of transport sector SACCOs in Murang'a County, Kenya.

1.2.2. Specific Objective

- To examine the effect of financial reporting controls on the financial performance of transport sector SACCOs in Murang'a County, Kenya.
- To analyze the effect of auditing controls on the financial performance of transport sector SACCOs in Murang'a County, Kenya.

1.3. Research Hypotheses

- $H_{01:}$ Financial reporting controls have no statistically significant effect on the financial performance of transport sector SACCOs in Murang'a County, Kenya.
- $H_{02:}$ Auditing controls have no statistically significant effect on the financial performance of transport sector SACCOs in Murang'a County, Kenya.

2. Literature Review

This study was anchored on the agency theory, which was originally an idea by Fama and Miller (1972) but was later expounded on by Jensen and Meckling (1976). The agency theory demonstrates an agency association where the principal (an individual or a group of people) engages the agent (someone else) to undertake some tasks on the principal's behalf. The agent, in this case, is delegated some authority to make decisions while performing the said duty. The theory of agency thus analyzes the association between managers and shareholders whereby the manager or directors (agent) agree to perform the principal's (investor or shareholders) duties and then get a reward from the principal. According to this theory, a firm normally has a contract between the economic resource owners (investors) and the agents (managers) who are responsible for using and managing the resources. This makes the managers more equipped with the resource's information compared to the principals who are therefore unable to check the serving of the managers towards their interest. The agents, too, have their interests, so a conflict of interest arises between the two parties (Ingabire & Onsiro, 2023).

To ensure a balance between the principal's and the agent's interests, agency theory recommends that the two enter into a contract for the principal's benefit. This would aid in ensuring that the interests of the principal are met. Agency theory further postulates that the agents' opportunistic behaviors can be minimized by having the necessary control structures for maintaining the principal-agent contracts (Ahmed & Nganga, 2019). This theory affirms that intervention mechanisms and control function measures like financial reports and auditing help in the cost-effective maintenance of the contracts between the organization owners and the managers (Ganda & Yusuf, 2019). Having a smooth flow of financial information between the SACCO management and the shareholders would aid in minimizing the possible principal-agent conflicts between them.

Jensen and Meckling (1976) stated that the inadequacy of the information flow concerning the managers' (agents') operational performance would be a threat and hence unfavorable in terms of the organization's performance. Therefore, there should be reliable accounting systems to ensure a smooth flow of communication and transparency between the agents and the principals to avoid unnecessary conflicts. Establishing quality accounting control structures also helps monitor the work of the agent (Muhunyo, 2018). The agency theory, therefore, applies to this research since accounting control is inclusive of the mechanisms used in organizations to tackle the agency-principal conflict and, in return, enhance the organizations' financial performance. The members of the various transport SACCOs would have to ensure proper accounting control systems within the SACCOs to ensure that the managers perform as expected and hence enhance the financial performance of the SACCOs. This is possible since a strong accounting control mechanism would reduce the costs of monitoring the managers' performance (Muhunyo, 2021).

According to Nyumoo (2020), an organization's management should ensure that all transactions are well verified, financial reconciliation is done often, review of operations and verifications are done before making payments, balances are reconciled, and performance reviews are done often. The day-to-day activities should be in a manner that an individual's work can serve to oversee another person's work. This involves having an adequate division of responsibilities to ensure that more than one individual participates in the complete process of recording a specific transaction, which reduces the chances of errors and fraudulent schemes. Duncan (2018) investigated cash management's effect on deposit-taking SACCOs' financial performance in the Mt.Kenya region. The conclusions of the study indicated that there was a need to introduce cash management controls in the SACCOs, with the sector contributing significantly to the economic development of the members. Wanjala (2015) examined the effectiveness of practices for cash management on Matatu SACCOs' growth in Kimilili Sub-County and concluded that the practices adopted in managing cash significantly contributed to the SACCOs' growth.

Several studies have been undertaken to examine the relationship between control procedures and an organization's financial performance. Chang (2021) stated that there was an evolving need in organizations for effective IC structures. This had arisen due to the increased evidence level that claimed that well-established mechanisms of control influenced an organization's performance measures. Marita (2013) investigated the role internal controls and internal audits played in the performance of the local Government in Indonesia. The study focused on the environment of control and monitoring as the main elements of IC. The study's findings pointed out a positive influence of the environment of control, monitoring and auditing on the Indonesian local government performance.

Kabuye (2019) investigated the effect of ICS and working capital management on supermarkets in Uganda. The study adopted cross-sectional and correlational designs and used questionnaires to gather data from a sample of 110 supermarkets. Data collected were analyzed and the study concluded that contrary to most of the previous studies, the study concluded that ICS does not have any significant effect on financial performance. According to the study, enough working capital was all the organizations needed to operate smoothly. This is because, with enough working capital, the organizations would be able to have enough capital for the establishment and implementation of the necessary internal controls.

Olumide (2021) undertook a Nigerian study to assess how IC procedures influenced financial performance. They focused on tertiary learning institutions as the target population. The information gathered was scrutinized, and conclusions derived indicated a lack of a statistically significant relationship between control procedures and financial performance. Margret (2022) evaluated the correlation between control procedures and the financial performance of Ugandan SACCOs in Luwero town. The study sought to find out the impact audit activities, the environment of control and activities of control had on financial performance. The study targeted 3 SACCOs. The data obtained were evaluated and the conclusions drawn indicated that the environment of control, audit tasks, and control activities had a positive influence on the SACCOs' financial performance.

Ngari (2017) investigated how internal controls affected the financial performance of microfinance institutions in Kenya. The study sought to investigate how the segregation of duties, authorization, transaction approvals, and internal audit functions affected financial performance. A descriptive research design was adopted for the study, and a stratified sampling method was used to get the desired sample size. The findings of the study were analyzed using both descriptive statistics and multiple regressions. The study found that division of responsibilities, the performance of transactions by only the authorized personnel and internal audit procedures affected financial performance significantly. Through IC, an organization can easily get used to the constantly fluctuating business environment (Ershaid, 2019). The failure of an organization to achieve its predetermined objectives frequently is due to weakness in the entity's internal control structure (Ibrahim, Diibuzie & Abubakari, 2017).

Nyumoo (2020) examined the impact of ICs on Meru County SACCOs' financial performance. The study aimed to assess the effect of communication, RA, control functions and monitoring on the SACCOs' financial performance. The information gathered was analyzed, and conclusions were drawn that indicated that a considerable correlation existed between the environment of control, assessment of risk, functions of control, monitoring, and the SACCOs' financial performance. From the findings, accounting controls, which formed part of the control functions, positively contributed to the SACCOs' financial performance. Kamau (2016) studied the effect of IC practices on the financial performance of SMEs in Nairobi. The study adopted a descriptive design and used questionnaires to collect data from 100 –randomly sampled SMEs. Data collected were analyzed, and it was found that there was an inverse relationship between poorly implemented control procedures and financial performance.

In most of the previous studies, accounting controls were reported to have a substantial effect on financial performance. However, most of the studies concentrated much on organizations in other sectors of the economy other than the transport sector SACCOs. In addition, most of the previous studies on the SACCOs sector focused on the deposit-taking SACCOs. Most of the researchers used primary data to undertake their studies. The literature gap on the effect of internal controls on the financial performance of the transport sector SACCOs led to the interest in the study, specifically on the effect of accounting controls.

2.1. Conceptual Framework

A conceptual framework is a structural model that shows a representation of the relationship between the independent and the dependent variable in research. In this study, the independent variable was the accounting controls, while the dependent variable was the financial performance, as indicated in figure 1 below:

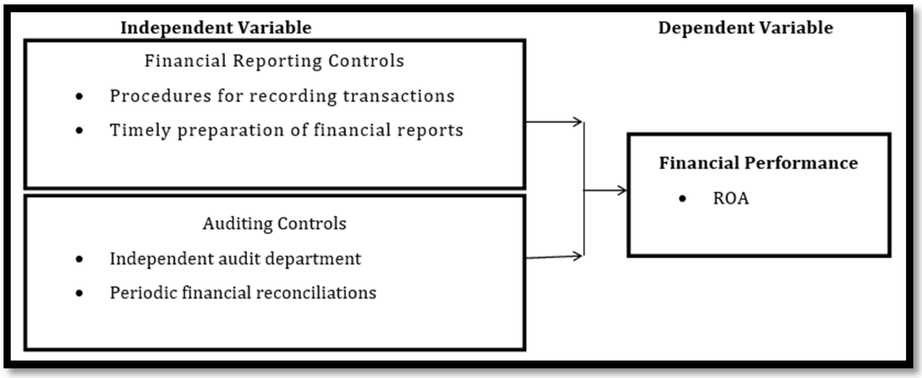

Figure 1: Conceptual Framework

3. Methodology

3.1. Research Design

The study adopted a descriptive design, which enabled the researcher to analyze the effect accounting controls have on the financial performance of SACCOs in the transport sector in Murang'a County. The quantitative method of research was adopted to collect information. The descriptive design was simple to understand and implement by treating all the subjects equally, which reduced biases (Kothari, 2014).

3.2. Target Population

The study targeted 19 matatu transport-sector SACCOs operating within Murang'a County, have their main offices in Murang'a County and have been listed under the County Ministry of Co-operative Development. The targeted respondents comprised the administrative staff of the transport SACCOs, who were purposely selected since they were deemed to have the necessary information regarding the accounting controls. Each of the nineteen SACCOs had at least two (2) administrative staff, which made the study's target respondents size not less than 38.

3.3. Data Collection

Questionnaires were used to collect the primary data through the drop-and-pick method. The questionnaires were given to the respondents, requiring them to rate the variables demonstrating their opinions on a Likert scale of 5-1 ranging from 'highly agree' to 'highly disagree'. Additionally, the secondary data for the study was obtained from the transport sector SACCOs' websites and their audited financial reports (submitted to the County Ministry of Co-operatives Development regulatory body in Murang'a County) for the years 2017-2021 using a data collection sheet.

3.4. Data Analysis and Presentation

The information obtained was revised for completeness, accuracy and consistency. It was then displayed by the use of means, standard deviations, proportions and tables showing information frequency. The descriptive statistics results were displayed by the use of tables showing the means and standard deviations. The inferential statistics results, on the other hand, were displayed by the use of the regression model coefficients. The general regression model for predicting the direct accounting control's effect on the financial performance of SACCOs in the transport sector in Murang'a County was of the structure:

$Y = \beta o + \beta 1X1 + \beta 2X2 + \varepsilon$

Where:

Y= the financial performance of SACCOs in the transport sector in Murang'a County;

X1= financial reporting controls;

X2 = auditing controls;

ε = the error term representing other excluded factors;

$\beta 0$= the intercept term (constant);

$\beta 1$ and $\beta 2$ =coefficients of regression for financial reporting controls and auditing controls, respectively.

4. Results and Discussions

This section of the study demonstrates the presentation and analysis of the study's findings concerning the effect of accounting controls on the financial performance of SACCOs in the transport sector. This chapter shows the response rate and the descriptive and inferential statistics of the findings, which formed the basis for the study's discussion, conclusions and recommendations thereafter. From the findings, 32 out of the 38 questionnaires issued were successfully filled out, and therefore, the response rate of 84.2% was deemed appropriate for analysis of data, reporting, and generalization in regard to the targeted population.

4.1. Descriptive Analysis

The study required the respondents to fill in the questionnaires on a 5-1 Likert scale ranging from 'highly agree' (5) to 'Highly disagree' (1). A three (3) formed the midway of the Likert scale, and hence, any mean more than 3 portrayed that the respondents highly agreed with the assertion in question, while a mean less than 3 indicated that the respondents disagreed with the assertion and felt like it never made any significant contribution towards the subject of the study.

Descriptive Statistics			
	N	Mean	Std. Deviation
Financial Reporting Controls	32	4.66	.309
Auditing Controls	32	4.60	.335
Overall Statistic		4.63	0.322

Table 1: Accounting Controls and Financial Performance

Table 1 above shows that the accounting controls adopted in the transport SACCOs had a significant effect on the financial performance of the SACCOs (Mean=4.63, S.D=0.322). From the findings, the respondents agreed on whether the financial reporting controls within the SACCOs contributed towards the SACCOs' financial performance, with a mean of 4.66 and SD of 0.309. They also agreed that the auditing controls contributed towards the SACCOs' financial performance with a mean of 4.60 and SD of 0.335. The overall mean of 4.63 was above the average mean of 3, which indicated that the respondents believed that accounting controls did affect the financial performance of the transport sector SACCOs.

The study's findings supported the study by Nyumoo (2020), who found accounting controls to have a positive impact on financial performance. In the study, the researcher stated that accounting controls help prevent opportunities for committing fraud and, hence, enhance the performance of the organization. In addition, Ngari (2017) investigated how internal controls affect the financial performance of microfinance institutions in Kenya. The research found that internal control activities have a positive impact on the financial performance of the institutions.

4.2. Financial Performance

The financial performance of the transport SACCOs was measured using the ROA ratio for 5 years (2017-2021), as shown in table 2 below:

Year	**Average ROA**
2017	1.66
2018	2.75
2019	1.36
2020	1.88
2021	0.88

Table 2: Average ROA for the Transport Sector SACCOs in Murang'a County

From table 2 above, the findings indicated fluctuations in the ROA with an increase from 2017 (1.66) to 2018 (2.75), a decrease in 2019 (1.36) and a slight increase in 2020 (1.88). There was, however, a decrease in the year 2021 (0.88). The findings indicated frequent fluctuations in the financial performance of the SACCOs due to the dynamic nature of the transport industry. There has also been a decline in the SACCOs' financial performance over the years under study.

4.3. Inferential Statistics

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.165[a]	.027	-.040	.960
a. Predictors: (Constant), Financial Reporting Controls, Auditing Controls				

Table 3: Model Summary of Accounting Controls

The study used the coefficient of determination to determine whether the model was a good predictor of the variation in changes in financial performance due to the accounting controls. The results of table 3 above show that accounting controls contributed only 2.7% of the variation in financial performance as indicated by an R squared of 0.027. This was, however, a relatively small contribution compared to the remaining 97.3% of the financial performance being as a result of other underlying factors. The small contribution of the accounting controls was probably due to poor adoption and implementation of the accounting controls within the SACCOs, especially because most of them are not regulated under SASRA.

4.4. ANOVA Test

From table 4 below, the multiple regression analysis results for the two variables, i.e. financial reporting controls and auditing controls, portrayed a P value of 0.671, which was higher than the critical value of 0.05. This indicated that accounting controls had no statistically significant effect on the financial performance of the transport sector SACCOs. The insignificant effect of the accounting controls on the financial performance of the transport SACCOs could be due to failure in the adoption of the necessary accounting controls within the SACCOs. This was evident with the unavailability of some of the SACCOs' financial reports, which portrayed a lack of consistency in the timely preparation of the financial statements.

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.746	2	.373	.404	.671[b]
	Residual	26.754	29	.923		
	Total	27.500	31			
a. Dependent Variable: Financial Performance						
b. Predictors: (Constant), Financial Reporting controls, Auditing Controls						

Table 4: ANOVA Test

4.5. Test for Direct Relationship

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	6.727	2.928		2.297	.029	.737	12.716
	Financial Reporting Controls	-.394	.629	-.129	-.627	.536	-1.680	.892
	Auditing Controls	-.166	.579	-.059	-.287	.776	-1.350	1.018
a. Dependent Variable: Financial Performance								

Table 5: Results for Multiple Regressions Analysis

The regression analysis results in table 5 above showed that accounting controls had a negative effect on financial performance.

The output results developed the following regression equation:

$Y=6.727- 0.394X_1- 0.166X_2$

Where:

Y=the dependent variable (Financial Performance),

X_1= Financial Reporting Controls,

X_2= Auditing Controls.

From the outcomes, there was a negative but insignificant effect of financial reporting controls and auditing controls on financial performance at a p-value of 0.536 and 0.776, respectively, which were both greater than the critical value of 0.05. From the findings, financial reporting controls had a coefficient of -0.394, which indicated that a single rise in financial reporting controls would lead to a 39.4% decrease in financial performance; auditing controls had a coefficient of -0.166, which indicated that a single rise in auditing controls, would lead to a 16.6% decline in financial performance.

The findings of the study were contrary to the conclusions made by Nyumoo (2020), who had carried out a study on the effect of internal controls on the financial performance of SACCOs in Meru County. The study concluded that control functions, which comprise the accounting controls, positively and substantially affected the financial performance of the SACCOs. The study had, however, focused on the deposit-taking SACCOs, which were SASRA-regulated and hence had high expectations of proper implementation of the necessary internal controls. Additionally, accounting controls have also been reported to have a substantial effect on the financial performance of an organization by ensuring the reliability of accounting information systems within an organization (Muthusi, 2017). The study had, however, targeted commercial banks in Kenya, which operate under a different economic sector compared to the transport sector; hence, different factors affect the implementation of the internal controls within the two sectors.

On the other hand, the inferential results of the study portrayed an inverse relationship between accounting controls and financial performance. The inverse relationship could be probably due to poor establishment and monitoring of ICs within the transport sector, as evidenced by the unavailability of some of SACCO's yearly financial statements. The negative relationship was supported by a study by Kamau (2016), who found that control procedures have a negative effect on the financial performance of an organization if they are not well implemented. Consequently, Kabuye (2019) studied the effect of internal control systems on the financial performance of supermarkets. The study, contrary to most of the previous studies, concluded that internal controls do not have any significant effect on an organization's financial performance; rather, the organization only needs good working capital management to improve its financial performance. In addition, due to the dynamic nature of the transport industry, audit checks and performance reviews ought to be undertaken frequently to factor in any necessary changes and help ensure the effectiveness of the accounting controls. The majority of the SACCO employees had also attained only the secondary levels of school education and, hence, were not very conversant with the necessary accounting controls.

4.6. Hypotheses Test

The hypotheses of the study were:

- $H_0$1: Financial reporting controls have no statistically significant effect on the financial performance. From the results of the multiple regression analysis, the financial reporting controls had a beta value of p=0.536. The null hypothesis was therefore accepted since the p-value was greater than the critical value of 0.05. The financial reporting controls were, therefore, found not to have any statistically significant effect on the financial performance of the transport sector SACCOs.
- $H_0$2: Auditing controls have no statistically significant effect on the financial performance. The multiple regression analysis results showed that auditing controls had a p-value of 0.776. The p-value was higher than 0.05, so the null hypothesis was accepted. The auditing controls were, therefore, found not to have any statistically significant effect on the financial performance of the transport sector SACCOs.

5. Conclusions

The main objective of the study was to evaluate the effect of accounting controls on the financial performance of the SACCOs in the transport sector in Murang'a County. From the study's findings, the accounting controls established in the SACCOs were found to affect the SACCOs' financial performance. However, the accounting controls were found to have a negative effect on the transport SACCOs' financial performance. This was contrary to the findings of most of the previous studies done on accounting controls, which found accounting controls to be positively related to an organization's financial performance. The findings of the study, therefore, indicate that the accounting controls established in the transport sector SACCOs within Murang'a County were inversely related to financial performance. This could be due to poor implementation of the internal controls within the transport sector SACCOs since most of the SACCOs are yet to be registered under the SASRA regulatory body. In addition, most of the SACCOs' employees had only attained secondary school level education and hence are not well-conversed with the necessary accounting systems' controls. The transport industry is also a very dynamic sector that keeps on changing; hence, there is a need for constant reviews and monitoring of the ICs within the SACCOs.

6. Policy Recommendations

From the findings of the study, the accounting controls within the transport SACCOs only contribute 2.7% of the financial performance, which is extremely low. The study, therefore, recommends that based on the findings, the management of the SACCOs should have a policy to ensure the implementation of strong accounting controls that would aid in enhancing the financial performance of the SACCOs. The Ministry of Co-operative Societies should develop a clear policy on how the transport sector SACCOs should be regulated and supervised. This would help ensure that SACCOs are registered to the entire transport sector and have strong accounting control systems in place for smooth operations. The management of the SACCOs should ensure regular checks and monitoring of the accounting controls to ensure the efficiency of the SACCO operations.

7. Limitations of the Study

The study was limited to transport SACCOs in Murang'a County, yet there are other transport SACCOs in other counties within the country. Being a private sector, some of the respondents were reluctant to provide the researcher with the necessary information due to confidentiality and competitive issues within the sector. Some of the SACCOs had not prepared their financial statements consistently within the five years under study, hence a challenge in assessing the performance trend within the five years under study.

8. Suggestions for Further Study

With the ever-changing business environment, especially the accounting systems-technological aspects, a study similar to this should be conducted after 5 years. This would assist in determining the similarities and differences in the findings. Research on the factors affecting the implementation of accounting controls in the transport sector SACCOs would assist in determining the control measures to be adopted. Having the appropriate accounting control procedures in place would lead to improved financial performance of the transport sector SACCOs. The study should also be undertaken by focusing on other measures of financial performance such as return on equity and return on investment and see whether there would be any difference that is significant in the results.

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