INTERNAL CONTROL SYSTEM AND FINANCIAL EFFICIENCY OF DEPOSIT TAKING SAVINGS AND CREDIT CO-OPERATIVES IN BUSIA COUNTY, KENYA

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ABSTRACT

Financial inefficiencies among deposit-taking savings and credit co-operatives remain a pressing concern in Kenya, despite the sector's notable contribution of around 10% to the country's GDP through savings mobilization and credit facilitation to individuals and small businesses. In Busia County, many DT-SACCOs face persistent inefficiencies characterized by high operational costs and suboptimal resource allocation, even with the implementation of internal control systems. The overall goal of the research was to ascertain the effect of internal control systems on the financial efficiency of DT-SACCOs in Busia County. The specific objectives were to determine the effect of control environment and risk assessment on financial efficiency. Anchored on Agency Theory, Stakeholder Theory, Systems Theory, and the RBV, the research utilized a mixed methods research approach. The unit of analysis comprised all 8 DT-SACCOs in Busia County, whilst the unit of observation included finance/accounting, internal audit, and finance department staff. A census approach was applied to target the full population of 40 staff members. Secondary data were extracted from annual reports to assess operating costs and income, while primary data were obtained utilizing semi-structured questionnaires. Quantitative data were analyzed utilizing SPSS version 28 through descriptive statistics Diagnostic tests including normality, multicollinearity, autocorrelation, heteroscedasticity, and linearity were conducted to validate the assumptions of regression analysis. Regression results revealed that control environment and risk assessment had a statistically significant and positive effect on the financial efficiency of DT-SACCOs in Busia County. Correlation results showed a positive association between the internal control variables and financial efficiency. These findings highlight the critical role of robust internal controls in improving the financial outcomes of SACCOs. The research concluded that when the control environment is strengthened and risk assessment mechanisms are improved, DT-SACCOs in the area are significantly more financially efficient. The research suggests that so as to be in compliance with evolving operational dynamics and regulatory requirements, DT-SACCOs should regularly review and update their internal control policies and procedures. SACCOs must also have structured training programs to aid employee recognize, assess, and communicate risks.

Key words: Control Environment, Financial efficiency, Internal control system, Risk assessment.

INTRODUCTION

Financial inefficiency in cooperative societies is often associated with inefficient cost management, erroneous planning procedures, and ill-informed governance system (Chuldun & Widiyanto, 2024). More and more cooperative societies have a growing operational cost,

declining earnings, and trouble in producing consistent income, ultimately, impacting their cost-income ratio adversely (Gwala & Mashau, 2023). Misuse of financial resources, members with lack of financial awareness and insufficient preparation to recover loans all aggravate (Hai & Linh. 2024). These challenges diminish the probability of providing competitive services and investor's attraction and to obtain lasting financial stability, which threatens to undermine their respective roles in promoting financial inclusion and economic empowerment. The findings by Paudel (2021) indicate that creation of a sound internal control system is paramount to increasing efficiency in enhancing accountability, transparency, and the best stewardship of assets of cooperative society.

Oguna & Gitagia, 2025 assert that effective internal control systems are important in ensuring that financial efficiency prevails globally, including in Kenyan Deposit-Taking SACCOs. Globally, best practices emphasize on risk assessment, segregation of duties, and leveraging technology to monitor transactions and protect assets (COSO, 2017). Locally, the SACCOs in Kenya are heading towards automated technology for following transactions, more often; however, the lack of resource availability causes difficulties in implementation of effective control mechanisms (Ondigo & Muturi, 2020). Moreover, SACCOs in Busia County are characterised by undertakings to promote accountability and strengthening of the auditing procedures, which align to the global best practices in regard to enhanced financial efficiency (Ng'ang'a et al., 2021). The implications of such practices ensured that SACCOs are financially compliant and at the same time improve stakeholder confidence in SACCOs.

Globally, the prime control environments enormously underscore the ethical leadership, good governance and accountability as dynamic fundamentals for strong financial success (Beasley, et al., 2019). This method necessitates having a clear policy guideline, with systematic contribution of governance mechanisms and the promotion of ethical practices in all levels of the staff organization. Kenyan DT-SACCOs have been actualizing these standards periodically in their code of conduct. This has reinforced the mechanisms for holding individuals accountable and enhanced management's consciousness of what is happening (Aikins, 2017). Nevertheless, not all individuals benefit from these advancements due to lack of training opportunities and a slow implementation rate of new technology (Brennan et al., 2020). By addressing these gaps, limited procedures can be affiliated with universal standards, enhancing the competitiveness and financial efficiency of SACCOs.

There has been a notable change in the trend of risk assessment in SACCOs toward more organized and proactive methods in recent years. Traditionally traditional managing of risk was mainly focused on financial risks. However, SACCOs are currently diversifying the risk factors that they consider namely the identification of the risk, prioritization, and development of mitigation strategies (Kiambi, Mbuba & Rintari, 2023). This evolution has led to improved decision-making processes because when it comes to SACCOs they are focused on identifying and prioritizing potential risks for action taking as early as possible (Kibanga, 2022). This kind of all-around approach to risk assessment not only makes the business more financially efficient and operationally effective, but it also helps it last over time (that meets the growing needs of the financial sector in terms of rules and operations).

Financial efficiency is of high importance for cooperative societies since it allows them to use available resources in an efficient manner, minimize waste, maintain financial stability, and help to do the work in terms of sustainability. According to Gautam et al. (2022), promoting financial efficiency raises the capacity of cooperatives to reduce overheads and operate efficiently as well as offer superior services to their members. In this way, they are in a position to provide competitive financial offers thereby increasing the levels of member satisfaction and loyalty. The financial operations could be simplified, and in a better position to distribute resources effectively, further reinforce, and act fast on decision making processes when faced with any change in market and member demands (Meliá-Martí & Fernández-Uclés, 2024). Ultimately, financial efficiency gives cooperative societies the means to preserve and improve their financial status, support growth and ensure their long-term sustainability while aligning to their social mission of furthering members and local communities (Paudel, 2021).

Financial efficiency within SACCOs is a critical factor for their sustainability and quality of service. It involves the efficient use of resources to achieve maximum output both in terms of elimination of waste and costs. To ensure that affiliates of SACCOs in Busia County remain financially efficient, they are required to be able to give affordable loans, have low interest rates, as well as enhance service delivery for the members (SASRA, 2023). Achieving this efficiency is dependent on the implementation of internal control systems. One way through which SACCOs can eliminate risk and fraud, and proper management of financial resources is to develop strong internal controls. Gitagia, 2020 indicate that, controls that involve risk assessments, monitoring of activities and control measures help SACCOs in streamlining their operations, improve financial performance and accountability which eventually lead to stability of the SACCOs and development of the region.

Statement of the Problem

Despite the internal control systems' implementation, SACCOs in Busia County continue to face financial inefficiencies. According to the annual report of SASRA (2023), the Cost-Income Ratio (CIR) of the SACCOs in Kenya is on the rise with a corresponding increase in challenges in managing costs in relation to revenues. The figures moved from 56.72 in the year 2019 to 57 In Busia County Cost-Income Ratio increased from 59.82 (2021), 61.54 (2022) and 62.88 (2023) (SASRA, 2023). This growing CIR trend within Busia County reflects inefficiencies continuing to be experienced (Aduda & Obondy, 2021) which may be impacted by the increase in administrative expenses, low revenues, or poor allocation of resources. As such, such inefficiencies create an unwanted impact on profitability levels and limit the financial sustainability, which eventually affects the capability of SACCOs to improve member services or expand their operations. Thus, this research aimed to assess the effect of internal control systems on the financial efficiency of DT SACCOs in Busia County.

Different researches have been done on internal control system and financial efficiency of firms. Mursyida and Maulina (2023) examined the internal audit and internal control's role on financial reports' PT ABC's quality in India; Adejuwon and Hassan (2022) examined the correlation between internal control procedure and organizational effectiveness of Nigerian

chosen deposit money institutions; and Tetteh (2022) examined internal control systems' effect on corporate success amongst Ghana's publicly traded firms. In Kenya, Mutua & Gitagia (2025) and Sheikh and Avutswa (2023) examined internal controls' effect on Garissa County Government and Machakos county respectively, Kenya's financial performance; Odek and Okoth (2020) looked at how internal control systems affected Kenyan distribution companies' financial performance; and Atieno *et al*., (2020) examined the relationship between internal control systems and financial accountability in Kenyan public secondary schools. This studies indicate positive relationships between the internal controls and performance.

Researches done in sectors other than SACCOs, such as county governments, public secondary schools, and distribution companies, were carried out by Sheikh and Avutswa (2023), Odek and Okoth (2020), and Atieno and Kiganda (2020). As a result of differences in operational structures and regulatory frameworks, the study's findings cannot are not applicable to DT SACCOs located outside of Busia County. Member savings, credit distribution, and cooperative governance are given priority in SACCOs' distinct financial models, which may differ from the methods used in other industries for financial management. This research inytended to determine the impact of internal control systems on the financial efficiency of DT SACCOs in Busia County.

Objectives of the Study

i. To ascertain the effect of control environment on financial efficacy of DT-SACCOs in Busia County
ii. To determine the effect of risk assessment on financial efficacy of DT-SACCOs in Busia County

Research Hypotheses

H_{01}: Control environment has no statistically significant effect on financial efficiency of DT-SACCOs in Busia County.

H_{02}: Risk assessment has no statistically significant effect on financial efficiency of DT-SACCOs

Theoretical Review

Agency Theory

The theory postulated by Jensen and Meckling in 1976 explains how within organizations authority to make decisions is transferred from one party, the principal, who orders, to the other party, the agent, who acts. Agents' self-interest as presented by Gagné and Hewett (2024) underlies the theory which would assert that agents may not necessarily act in best interests of the principal. Such interests' disparities often result in disagreements especially when agents prioritize their interests in comparison to the company's goals. Agency theory advises organizations to use controls such as contracts, monitoring and incentive systems to develop agreement between the principal's and agent's goals (Fowler, 2020). Such mechanisms are mechanisms that are set to reduce agency issues, provide more transparency, and bring better financial management practices thus embracing the theory's usefulness for both organizational governance and financial implications.

The research aimed at ascertaining the influence of the control environment on the financial efficiency of DT SACCOs in Busia County. The agency theory is a robust theoretical framework. This research accentuates a facet of financial efficiency by linking agency theory with internal controls in SACCOs, clarifying the function of internal controls in facilitating the interaction between SACCO members (principals) and managers (agents). Futile controls can result to mismanagement or misappropriation of funds in SACCOs, whereby members depend on managers for financial oversight and decision-making. A robust control system with regular audits, clear roles, regular performance reviews, and open reporting was able to reduce agency conflicts by ensuring that therapists were working together better between the SAC manager and members. Accordingly, agency theory offers more insight into the dynamics of these errors the likelihood of conflicts in SACCOs and a theoretical basis for controls created to support the financial discipline, reduce inefficiencies and enhance the overall financial efficiency. Integrating the theory of agency into an arena of financial efficiency, the research builds a strong and appropriate basis of theory.

Stake holder theory

The theory, introduced by Freeman (1984), argues that businesses should value the well-being of all stakeholders, not just shareholders. Stakeholders are those parties that directly or indirectly have a connection to the company's operations, such as staff, customers, suppliers, community and regulatory bodies (Shah & Guild, 2. This framework moves away from the traditional perspective of the focus as was the case whereby successful and enduring organizations rely on the ability to effectively manage their relationships with all stakeholder groups. According to Crane (2020), managers are supposed to make profits for all stakeholders involved in the organization, not merely the shareholders. The divergence in the requirements and considerations of the stakeholders helps organizations develop trust and reduce disputes and set up a lasting business structure.

Stakeholder theory is based on several fundamental assumptions. Firstly, it posits that businesses operate within a network of stakeholder relationships, each possessing the ability to influence and affect organizational performance (Freeman et al., 2020). Secondly, it implies that stakeholders are interdependent which means that firm's success depends on its capability of creating mutual value. Thirdly, it claims that organizations have ethical and social responsibility to take into account the interests of all the participants involved rather than just the shareholders during decision making processes (Barney & Harrison, 2020). These assumptions influence their vision on corporate responsibility and governance as being the area that goes further than profit maximisation by including such dimensions as ethics, social and environmental aspects. However, there are several limitations to stakeholder theory. Most critics highlight the unclear issue on prioritizing the stakeholders- the managers may struggle to balance out different interests of the stakeholders, especially when resources are limited or adjustments have to be made. More so, the theory offers little guidance on the use of stakeholder management in complex organizational settings. There is a conflict that exists in the intrinsic nature of delivering value to all stakeholders and maintaining organizational focus and efficiency, particularly in financially crippled set ups such as SACCOs.

The stakeholder theory is highly pertinent to this research, which examined the impact of risk assessment on financial efficiency within DT SACCOs in Busia County. The risk assessment in SACCOs is not just a technical process; it also takes into account the interests of all the different stakeholders. This process entails a risk analysis and evaluation of diverse groups, including members, regulators, staff, and the local community. According to stakeholder theory, this study's risk assessment is a participatory and ethics-based effort in which SACCOs must think about how financial risks and decisions will affect different groups. For instance, disregarding concerns regarding member defaults and operational inefficiencies related to loan defaults or operational inefficiencies may erode trust and jeopardize financial sustainability. Stakeholder theory is an important way to look at how inclusive, open, and stakeholder-aware ways of managing risk can make money more efficient and long-term sustainability possible, as well as how cooperative responsibility can be strengthened.

Empirical Review

Control Environment and Financial Efficiency

Illo and Abubakar (2022) undertook research to assess how control environment affects SME's financial performance in Kebbi State. The research employed an explanatory research design, targeting all SMEs in Kebbi State, Nigeria. Structured questionnaire were utilized in gathering primary data. The research showed that the control environment has a positive and substantially impact SMEs' financial success of in the region (Oke, 2020). However, the study focused primarily on SMEs, which differ significantly from deposit-taking SACCOs in structure, operations, and financial goals, which limits the findings applicability SACCOs. Also, the study used relied solely on qualitative methods, whereas the present study adopts a quantitative approach to provide more precise and generalizable results. In addition, the used financial performance as the dependent variable which is differ from the present study's focus on financial efficiency as the dependent variable which is a distinct and more comprehensive measure of organizational effectiveness.

Risk Assessment and Financial Efficiency

Korir (2022) researched the impact of risk assessment on selected financial institutions' financial success in specific counties. The study utilized correlation and causal research approaches. The target group consisted of employees within the commercial banks' branches in Kericho and Bomet Counties. Primary data was acquired through questionnaires. The research suggested that risk assessment had a favourable and substantial impact on the financial performance of commercial banks in the selected counties. Nonetheless, the research focused exclusively on commercial banks, whose distinct ownership structures, regulatory frameworks, and operational models create a contextual gap that limits the applicability of the findings to DT SACCOs. Further, the research used qualitative methods thus limiting the objectivity and replicability of the findings to the current study which uses quantitative techniques (Arwinge, 2020). Further, the study measured risk assessment in regard to risk management, risk identification, and risk analysis whereas the current research measured risk assessment in terms of frequency of risk assessments thereby offering a more focused operational measure.

RESEARCH METHODOLOGY

The research utilized a combination of different research methods. The unit of analysis was all DT SACCOs in Busia County. SASRA (2023) denotes that there are 8 DT SACCOs in Busia County. The observational unit was all the staff working in finance/ accounting, internal audit and finance departments in DT SACCOs in Busia County. The research adopted primary and secondary data. Diagnostic tests comprised of multicollinearity test, linearity test, heteroscedasticity test and normality test.

This section provides descriptive statistics on the effects of control environment and risk assessment on the financial efficiency of DT-SACCOs in Busia County. quantitative data obtained from closed-ended questions and items measured on a 5-point Likert scale, where Key 5 means "Strongly Agree," 4 means "Agree," 3 means "Neutral," 2 means "Disagree," and 1 means "Strongly Disagree."

Descriptive Analysis

Control Environment

The respondents were requested to specify their level of agreement with statements regarding the effect of the control environment on the financial efficiency of DT-DSACCOs in Busia County. The results are presented in Table 1.

Table 1 Aspects of Control Environment

	1	2	3	4	5	Mean	Std. Dev.
The SACCO has a well-established governance structure that clearly defines roles, responsibilities, and accountability mechanisms.	0.0	5.0	35.0	30.0	30.0	3.850	0.921
There are comprehensive internal control policies and procedures in place to guide financial operations and decision-making.	5.0	5.0	27.5	20	42.5	3.900	1.172
The SACCO promotes ethical conduct through a formal code of ethics that management and staff are required to uphold.	5.0	5.0	40.0	30.0	20.0	3.550	1.037
Regular internal and external audits, as well as financial reviews, are conducted to promote transparency and accountability.	5.0	7.5	27.5	25.0	35.0	3.775	1.165
The SACCO has an operational risk management framework designed to identify, assess, and mitigate financial and operational risks.	0.0	7.5	32.5	35.0	25.0	3.775	0.920

Source: Research Data (2024)

As exhibited in Table 1, the responders concurred with a mean of 3.900 (Std. Dev. = 1.172) that there were comprehensive internal control policies and procedures in place that guided financial operations and decision-making. Additionally, the responders concurred that SACCOs had well-established governance structure that clearly defined roles, responsibilities, and accountability mechanisms, as evinced by a mean of 3.850 (Std. Dev. = 0.921). The

responders also concurred with a mean of 3.775 (Std. Dev. = 1.165) that regular internal and external audits, and financial reviews, were conducted to promote transparency and accountability. Likewise, with a mean of 3.775 (Std. Dev. = 0.920), the responders concurred that the SACCOs had operational risk management framework designed that identified, assessed, and mitigated financial and operational risks. These results agreed with Illo and Abubakar (2022) who suggested that a good operational risk management framework is very important for finding, evaluating, and reducing financial and operational risks. Also, the respondents agreed that the SACCOs promoted ethical behavior by requiring management and staff to follow a formal code of ethics. The average response was 3.550 (Std Dev = 1.037). These results supported Omar and Yussuf's (2021) claims that SACCOs promote ethical behavior by having a formal code of ethics that all employees and managers must follow. This builds trust, accountability, and openness within the organization.

Risk Assessment

The respondents were requested to indicate their level of concurrence with subsequent claims on risk assessment. The results are presented in Table 2.

Table 2 Aspects of Risk Assessment

	1	2	3	4	5	Mean	Std. Dev.
The SACCO utilized a systematic risk assessment procedure to identify possible operational, financial, and compliance risks.	0.0	12.5	5.0	42.5	40.0	4.100	.982
Management sporadically assesses and revises risk assessment procedures to address new risks.	5.0	12.5	10.0	47.5	25.0	3.750	1.127
The SACCO periodically assesses risk to realize financial stability and stop errors or undesirable management.	10.0	0.0	17.5	47.5	25.0	3.775	1.143
Elaborate protocols are in place to eliminate financial losses through mitigation of identified risks.	5.0	5.0	32.5	37.5	20.0	3.625	1.030
Management and staff are sufficiently trained on risk identification and management techniques.	0.0	12.5	42.5	30.0	15.0	3.475	.905
SACCO's structured risk assessment process improves financial efficiency via prompt risk identification and reduction.	0.0	12.5	5.0	42.5	5.0	3.975	1.074

Source: Research Data (2024)

Table 2 shows that respondents concurred that SACCOs utilized a systematic risk assessment procedure to identify possible operational, financial, and compliance risks. This was proven by a mean of 4.100 and a deviation of 0.982. Correspondingly, the responders concurred that SACCO's structured risk assessment process improved financial efficiency via rapid risk identification and mitigation as demonstrated by a mean of 3.975 and a variation of 1.074). The responders equally concurred that SACCO occasionally assessed risk to meet financial stability and stop errors or undesirable management as proven by a mean of 3.775 variance of 1.143. The results are congruent to Hamed (2023), who noted that regular risk assessments are core

to upholding financial integrity and lessening the likelihood of fraud and inefficiencies in operations. Moreover, the responders concurred that Management sporadically assessed and revised risk assessment procedures to address new risks, as displayed by a mean of 3.750 and a deviance of 1.127. The responders also concurred that elaborate protocols were in place to eliminate financial losses through mitigation of identified risks as suggested by a mean of 3.625 and a variation of 1.030. However, the responders were neutral with the assertion that management and staff were sufficiently trained on risk identification and management techniques as evinced by a mean of 3.475 and a variance of 0.905. The findings are congruent with Rapani and Malim (2020) who observed that numerous firms were yet to fully institutionalize comprehensive risk management training, resulting in diverse levels of awareness and preparedness among staff.

Financial Efficiency

The responders were requested to offer data on the CIR for the period of 2019–2023. The findings so as to measure the financial effectiveness of DT-SACCOs in Busia County are exhibited in Figure 3 below.

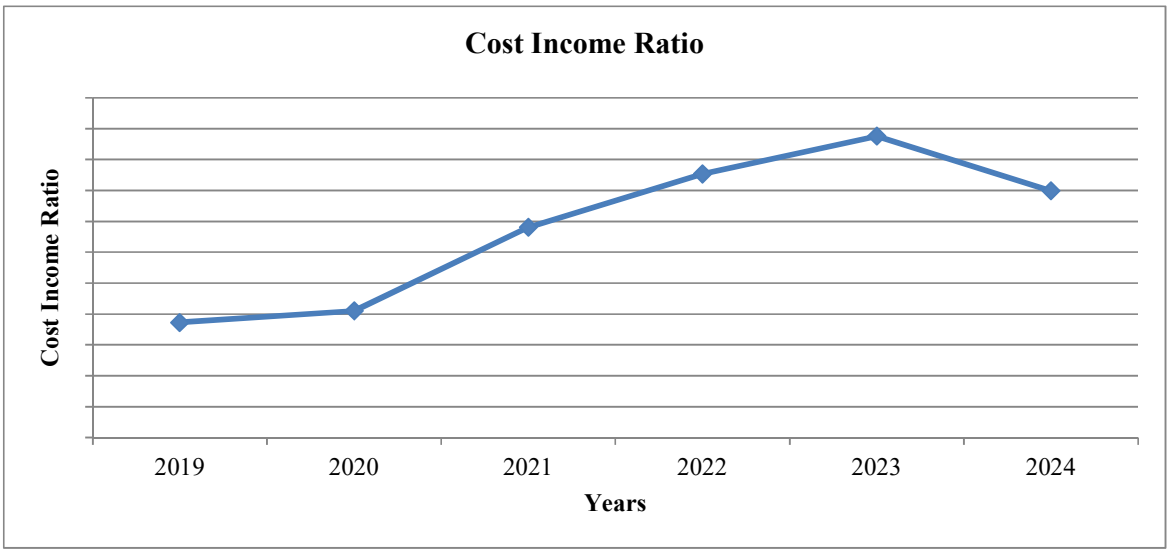

Figure 3: Cost Income Ratio
Source: Research Data (2024)

The ACIR results for 2019–2024 offer information on the DT-SACCOs' financial effectiveness in Kenya's Busia County. The cost of producing one unit of income for the SACCOs are expressed by the ACIR. SACCOs are more efficient when the ratio is lower. The ratio slowly rose from 0.567 in 2019 to a high of 0.628 in 2023. This means that the SACCOs' financial efficiency went down, which means that it cost more to make money. But in 2024, the ratio went down to 0.610, which means that efficiency got a little better. Overall, the trend indicates a slight decline in financial efficiency up until 2023, followed by a marginal recovery in 2024. This could imply that while the SACCOs faced rising operational costs over the years, recent efforts or changes in operations might be improving cost control.

Normality Test

Normality assumes that the residuals (errors) of the regression model are normally distributed, which is important for performing valid hypothesis tests and obtaining reliable confidence

intervals. The null hypothesis for this test is that the residuals are normally distributed. If the p-value is less than the chosen significance level (usually 0.05), the null hypothesis is rejected, suggesting that the residuals deviate from normality, potentially impacting the regression analysis outcomes. The results were as exhibited in Table 4.

Table 4 Normality Test

	Shapiro-Wilk		
	Statistic	**df**	**Sig.**
Control Environment	.985	104	.189
Risk Assessment	.988	104	.201
Financial Efficiency	.972	161	.076

Source: Research Data (2024)

As exhibited in Table 4, the results of the Shapiro-Wilk Test reveal that the p-values for control environment (0.189), risk assessment (0.201) and financial efficiency (0.076) all exceed the significance threshold of 0.05. This proposes that the null hypothesis, which posits that the data follows a normal distribution, cannot be rejected for any of these variables. Consequently, we conclude that the data for control environment, risk assessment and financial efficiency are normally distributed in this research.

Multicollinearity Test

Multicollinearity occurs when two or more independent variables in a regression model exhibit a strong correlation, thereby skewing the research by complicating the isolation of each predictor's distinct influence. The results for Multicollinearity are as illustrated in Table 5.

Table 5 Collinearity Statistics

	Tolerance	**VIF**
Control Environment	.471	2.372
Risk Assessment	.376	2.545
Financial Efficiency	.507	1.965

a. Dependent Variable: Financial efficiency of deposit taking savings and credit co-operatives

Source: Research Data (2024)

As presented in Table 5, the Variance Inflation Factor (VIF) results for the study variables are as follows: control environment (2.372), risk assessment and financial efficiency (1.965). All VIF values are much below the conventional threshold of 10, implying that multicollinearity is not an issue in this research.

Heteroscedasticity Test

The Breusch-Pagan/Cook-Weisberg test was adopted to assess heteroscedasticity in the regression model. The test results are exhibited in Table 6.

Table 6 Breusch-Pagan Test for Heteroskedasticity

Ho: Constant variance	
Variables: Fitted with values of financial efficiency	
Chi2 (1)	0.432
Prob>chi2	0.4221

Source: Research Data (2024)

As displayed in Table 6, the p-value was 0.4221, which exceeded the significance level of 0.05. This means that the regression model exhibited homoscedasticity.

Autocorrelation Test

The results for autocorrelation test were as illustrated in 7.

Table 7 Autocorrelation Test

Model	Durbin-Watson
1	2.247

Source: Research Data (2024)

The Durbin-Watson statistic was calculated as 2.247. Since this value falls within the acceptable range of 1.5 to 2.5, it implies the absence of autocorrelation. Therefore, no serial correlation is present in the data.

Inferential Statistics

In this research, correlation analysis and multivariate regression analysis were employed to examine the dependent variable (financial efficiency) and the independent variables (control environment and risk assessment).

Regression Analysis

Table 8 Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.980	0.563		3.517	0.001
	Control environment	0.428	0.099	0.378	4.323	0.000
	Risk assessment	0.284	0.111	0.231	2.559	0.013

a. Dependent Variable: Financial Efficiency

Source: Research Data (2024)

The regression was as follows:

$Y = 1.980 + 0.428X_1 + 0.284X_2 + \varepsilon$

The findings implied that control environment has a positive and significant effect on financial efficiency of DT-SACCOs in Busia County (β_1=0.428, p-value=0.000). The connection was regarded significant as the p-value (0.000) was below the significance level of 0.05. This suggests that the financial efficiency of DT-SACCOs in Busia County is increased by an enhanced control environment. These results support those of Lamu, Ahmed, and Kosgei (2023), who found that enhanced control environments increase financial efficiency. The findings are congruent to Wesley's (2023)'s conclusion that strong control environment leads to sound financial management practices. These practices lead to improved financial results.

Likewise, the findings established that risk assessment had a favourable and substantial effect on the financial efficiency of DT-SACCOs in Busia County (β_1=0.284, p-value=0.013). The connection was deemed significant as the p-value (0.013) was less that the significance level

of 0.05. This proposed that an improved control environment led to an improvement in financial efficiency of DT-SACCOs in Busia County. The findings are in line with Lamu, Ahmed, and Kosgei (2023)'s assertions that higher control environments increased financial efficiency. The results are also congruent with Wesley (2023)'s conclusions that robust control environment leads to sound financial management practices. These practices lead to improved financial results.

Conclusions

The research concluded that the financial efficiency of DT-SACCOs in Busia County was favorably and significantly influenced by the control environment. The research found that governance structure and accountability, internal control policies and procedures, audit and financial transparency, ethical standards and integrity, and risk management framework all have an impact on financial efficiency. The research suggested that efficient financial oversight was facilitated by the SACCOs' well-established governance structure, which precisely outlines roles, duties, and accountability procedures. Furthermore, the efficient and transparent conduct of financial operations is guaranteed by the implementation of thorough internal control policies and procedures.

The research found that risk assessment positively and significantly impacted the financial efficiency of DT-SACCOs in Busia County. As per the research, risk mitigation techniques, policy reviews and updates, risk identification and analysis, and staff risk management training are all necessary. Nevertheless, management did not identify possible risks that could impact objectives, and employees do not aggressively participate in risk identification. Also, there was no integrated system in place to assist staff in identifying and characterizing risks. There are risk management policies in place, but so as to intensify the firm's financial efficiency and reduce the risk of financial loss, staff should receive more training and be more involved in risk processes.

Recommendations

The research found that the control environment had a robust and favorable effect on the financial efficiency of DT-SACCOs in Busia County. The research suggested that SACCOs in Busia County should constantly evaluate and enhance their internal control policies and procedures to ensure compliance with evolving financial regulations and operational necessities. It is imperative to expand governance frameworks to make financial decision-making more accountable and overseen. To do this, roles at all levels of management can be plainly defined, and capacity can be constantly increased. SACCO operations should always include audits of both the inside and the outside. These audits should not only look at new financial risks, but they should also ensure that ideal audit findings are dealt with right away. Additionally, the current frameworks for managing operational risk should be constantly enhanced, with an emphasis on getting stakeholders involved in finding and lowering possible risks.

The research found that risk assessment had a favorable and substantial effect on the financial efficiency of DT-SACCOs in Busia County. This research suggested that all managers and

staff at Busia County's DT-SACCOs should get regular, in-depth training on how to recognize, evaluate, and reduce risks. Thus, they will be able to handle risks that could damage their financial success. SACCOs should encourage individuals to take part by having all relevant staff help recognize, evaluate, and report possible risks. Management should also make it a habitual to regularly review and update risk assessment policies must remain vigilant against emerging risks to operations, finances, and compliance. The research also suggested that risk-related problems should be better recorded and shared so that staff in the firms knows about them, is responsible for them, and can act on them quickly.

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