EFFECT OF INTERNAL CONTROL PRACTICES ON THE FINANCIAL PERFORMANCE OF AGROPROCESSING FIRMS IN KISUMU COUNTY, KENYA

BY

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DECLARATION

I, the undersigned, declare that this is my original work and has not been presented at any other institution. No part of this research should be reproduced without the authors consent or that of Maseno University.

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Approval by the supervisor

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DEDICATION

This research project is dedicated to my family especially my late dad Q.I Ekessa whose prayers and support has seen me through this work.

ABSTRACT

Internal controls are processes planned and implemented by management in order to give rational assurance concerning the financial performance of a firm based on its objectives in respect to operational efficiency and compliance of existing rules and regulations. The main objective of the study is to determine the effect of internal control practices on the financial performance of agro-processing firms in Kisumu, Kenya. The specific objectives are based on these perspectives; control environment, risk management, internal control activities, information and communication and monitoring on financial performance of agro - processing firms in Kisumu, Kenya; whereas financial performance focused on profitability. However, there are limited empirical research findings regarding the relationship between the internal control system and financial performance. In agro-processing firms in Kisumu, Kenya, there have been many weaknesses in regards to; safe guarding of the firm's assets, accuracy and reliability of accounting records and information, promotion of efficiency of the firm's operations as well as staff compliance with management prescribed policies and procedures. Most agro-processing firms have therefore registered declining financial performance due to weakened internal control practices which emphasis the fact that internal controls have a significant impact on financial performance. The study will contribute to the present body of knowledge on internal control practices and financial performance of agro-processing firms in Kenya. The study adopts correlation research design, which states that there is relationship between variables. The target population for the study was comprised of employees in the agro-processing firms, which total 66 operating within Kisumu County. The study was guided by agency theory, stewardship theory and positive accounting theory; Data was collected from secondary and primary sources thus from relevant documents, such as county government reports, publications and the journals using structured questionnaires. The researcher used stratified sampling method, which ensured that all the strata present in the total population was represented and simple random sampling given that no complexities will be involved. Validity and reliability of questionnaire were tested on pilot data targeting 7 respondents. Regression and descriptive analysis were used to establish the effect thereby addressing all the objectives and hypothesis. The finding indicated that regression model show that there is a positive relationship between internal controls environment, risk assessment, monitoring, information and communication, control activities and financial performance of agro processing firms; as indicated by the variables internal control environment (β=0.993, P<0.00) risk assessment,

(β=0.92 P<0.00), control activities, (β=0.867, P< 0.00) information and communication (β=0.897, P<0.00) Monitoring (0.719, P<0.00). The study recommends that internal and external auditors should be constantly updated and well conversant in international financial reporting standards (IFRS) and principles, in order to enhance their knowledge and skills in application of accounting practices and to keep them updated on the contemporary issues. The audit committee in support from top management should ensure that internal control practices in the firms should be adequately improved, monitored periodically and evaluated to foster the efficiency of the firm's operations, transparency and accountability that will in turn lead to improved financial performance.

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LIST OF ABBREVIATIONS AND ACRONYMS

COSO Committee of Sponsoring Organizations

CPA Certified Public Accountants

ICS Internal Control System

ICP Internal Control Practices

IIA Institute of Internal Auditors

MVA Marketer Value Added

ROA Return on Assets

ROE Return on Equity

ROI Return on Investment

ROS Return on Sales

VFM Value for Money

GDP Gross Domestic Product

OPERATIONAL DEFINITION OF TERMS

Efficiency-: generally, describes the extent to which time, effort, or cost is well used for the intended task or purpose.

Efficiency measure-: the ratio of actual output to maximum potential output obtainable from a given input level, or the ratio of minimum potential input to actual input required to produce a given output.

Agro-processing-: is the process or action taken by manufacturers of converting primary (raw) agricultural products into consumable commodities suitable for consumption.

Manufacturing-: refer to the transformation of raw materials (inputs) into finished products that are supplied to consumers and this includes processing

Productivity-: refers to the ratio of output that a firm produce to the inputs that are used to produce that output.

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CHAPTER ONE

INTRODUCTION

The background of the study, statement of the problem, the general and specific objectives of the study, research hypothesis, scope of the study, justification of the study and the conceptual framework is presented in this section.

1.1 Background of the Study

Kenya has a large agro-processing industry, reflecting the importance of the agricultural sector in the Kenyan economy. The majority of the pioneering industries during the colonial period were agro-based. A wide spectrum of agro-industries exists today, ranging from processing staple food and fruits, to beverage and tobacco production for both the domestic and foreign markets. Food processing is thus one of the key activities in Kenya's agro-processing industry.

Agriculture is the engine of growth in Kenya. Kenya aspires to transform from a lower middle-income country to an upper middle-income country by the year 2030. This aspiration is valid and attainable because most of the economic fundamentals are largely in place to enable the country take-off. According to the (Kenya Economic Report, 2017), the country's economy has remained resilient over time, with economic growth rate increasing from 5.7% in 2015 to 5.8% in 2016 largely due to a stable macroeconomic environment. The major sources of Gross Domestic Product (GDP) growth in 2016 were agriculture, forestry and fishing (15.2%), manufacturing (6.3%), transport and storage (9.7%), information and communication (6.1%), construction (8.2%), real estate (12.3%) and financial services (7.3%), Kenya Association of Manufacturers, (2014). Kenya's agriculture sector is dominated by small-holder farmers in rural areas, making it an important sector in food security and poverty reduction. In 2016, the sector's share of GDP increased to 32.6% from 30.4% in 2015. In addition, the sector indirectly contributes about 27% to GDP through linkages with manufacturing, distribution and other service-related sectors.

The turbulent effects of the global financial crisis have highlighted the critical importance of the effect of internal control practices on financial performance. No matter how stringent the rules and regulations are in firms, the huge sums of money found in the finance sector have

always attracted fraudsters, calling for the immediate implementation of internal control practices. The term 'globalization' is often used to describe a world that is becoming increasingly integrated and interdependent and where large, international organizations dominate. Within this globalized world, change in business and working environments has become rapid, pervasive and perpetual. Contrary to the fact that internal control system has been in existence for decades in most organization, the challenges of financial breach and misconduct, have continued to be on the rise. Various researchers, have affirmed that internal controls set by management in most organization have not been able to completely prevent these fraudulent occurrences because these controls have not significantly reduced the reoccurring fraud and corruption perpetuated by employees in most organizations.

There have been concerns about the effect of internal control practices on the financial performance of firms in the present environment. Several severe failures have come to light, a case in point, globally: the WorldCom and Tyco scandals of 2002, the Enron scandal of 2001, which ironically the Fortune magazine named the Texas-based energy business, the most innovative company in corporate America for six straight years between 1995 and 2000. By November 2001, however, its share price had plummeted to less than $1 following the discovery of hidden debt worth billions off the balance sheets. The shareholders lost $74 billion, thousands of employees, investors lost their retirement accounts, and many employees lost their jobs. Following this, the company had no other option but to declare bankruptcy.

Regionally, in South Africa, the country faced an unusual scandal - one involving a private company called Steinhoff. The multinational furniture company was in trouble after German investigators began looking into it, for allegedly doctoring financial information to mislead the markets. While locally from the broadcasted National Youth Service scandals of KShs 9 billion (2018) and KShs. 291 million (2015). The Eurobond scandal, KShs. 215 billion ranked highest. Eurobond was a foreign loan taken by the government to fund mega development projects. The government indeed insisted the controversial foreign loan was used to fund projects under different ministries.

In the aftermath of corporate scandals and the global financial crisis, corporate governance has received significant attention from regulators and the public. Regulatory responses have focused on increasing disclosure requirements relating to corporate governance and this has in turn, driven increased awareness and demand for internal assurance on corporate governance

processes, including internal control and risk management. (Thornton, 2004) observes that in recent years, stakeholder's expectations from internal audit functions have changed significantly. The focus has now moved from a compliance and financial control function to facilitating organizations to proactively identify, assess and control risks. Hence, the internal auditor should be aware of any irregularities even before the external auditor finds out. This means that the audit committee would have been made aware also through the internal audit reports (RoK, 2013).

Increased concerns regarding corporate accountability in various developed nations have been associated with the need for appropriate audit which involves risk management and internal control systems (Beekes & Brown, 2006). Audit quality is recognized to influence financial reporting and strongly impact on investors' confidence (Levitt, 2008). Conventionally, external auditors play critical and highly challenging roles in assuring the credibility of financial reports.

1.1.1 Internal Control Practices

Internal controls encompass a set of rules, policies, and procedures an organization implements to provide reasonable assurance that: its financial reports are reliable: its operations are effective and efficient: and its activities comply with applicable laws and regulations. These represent the three main objectives of the internal control system. The organization's board of directors, management, and other personnel are responsible for the internal control system.

Internal control is the set of security measures, which contribute to the control of a company. Its aim is to ensure, on the one hand, the security and safeguard of assets and the quality of information, on the other hand, the application of instructions given by senior management and to encourage improvements in performance. It is evidenced through the organizations methods and procedures for each of the company's activities, to ensure the continuity of that company, (French Institute Chartered Accountants, 1999).

Management's role is to provide leadership that the organization needs to achieve its goal and objectives. Any entity of whichever form or size should put in place its own system of controls in order to achieve its objectives (Mwindi, 2008). Internal control is a technique used by managers to help an organization achieve these objectives. (Millichamp, 2002) described internal control as a whole system of controls, financial and otherwise, established by

management in order to carry on the business of the enterprise in an orderly and efficient manner, ensure adherence to management policies, safeguard its assets and secure as far as possible the completeness and accuracy of the records. Poor internal controls lead to asset misappropriations, corruption, organizational fraud and fraudulent financial statement, (Miller, 2005).

(Petrovits, 2011) defined internal control as the process put in place by management to provide reasonable assurance regarding the achievement of effective and efficient operations, reliable financial reporting and compliance with laws and regulations. Internal control is not just a single activity but a series of activities put together by management. The main objective is to balance asset protection with efficient operation. Internal controls consist of all the measures taken by the organization for the purpose of protecting its resources against waste, fraud and inefficiency; ensuring accuracy and reliability of accounting and operating data; ensuring compliance with the policies of the organization; evaluating the level of performance in all organizational units of the organization, (Kaplan, 2008).

The definition of internal control is divided into financial internal control and non-financial (administrative) internal control. Financial internal control pertains to financial activities and may be exemplified by controls over company's cash receipts and payments financing operations and company's management of receipts and payments. Non-financial internal control on the other hand deals with activities that are indirectly financial in nature i.e. controls over company's personnel section and its operations, fixed assets controls and even controls over laid down procedures (Reid & Ashelby, 2002).

Internal control represents all policies and procedures that have been approved and used by management to achieve effective management of firm operations, proper recording of transactions and reliable financial reporting. An effective internal control leads to a fair presentation of the financial statements and thus increases stakeholders' confidence in the financial statements. These have a significant impact on financial performance and competitiveness of the firm. Lack of controls and their deficient operations expose firms making them vulnerable to a number of risks hence the analysis of the effectiveness of internal control practices in agro-processing firms.

Despite the fact that internal control system has been in existence for many years in most organization, the problem of financial crimes, have continued to be on the increase. Examples

of this financial crimes include; financial irregularities within the departments, collusion among senior or highly trusted employees and breaches of control. Various researchers, have affirmed that internal control set by management in most organization have not been able to completely prevent these fraudulent occurrences because these controls have not significantly reduced the reoccurring fraud and corruption perpetuated by employees' in most organizations.

1.1.2 Financial Performance

Financial performance is a measure of company's policies and operations in monetary terms. It is a general measure of a firm's overall financial health over a given period, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. There are many different ways to measure firm's financial performance. This is reflected in the firm's return on investment, return on assets, return on sales, return on equity, return on capital employed and sales growth. (Mishkin, 2007). Organizational performance encompasses accumulated results of all the organization's work processes and activities. Financial Performance measures in agro-processing firms can be financial or non-financial. The most effective way to improve financial performance is by reducing the level of fraud and irregularities through improvements in the firm's internal control practices. Shareholders need to be assured that their resources are being used efficiently and effectively in providing the right service at the least cost, (Gerrit and Abdol mohammadi, 2010).

1.1.3 Internal Controls and Financial Performance

The theoretical basis for establishing a relationship between financial performance and internal control systems have been documented in various literatures. Internal control practices that have been confirmed to have a relationship with business organization financial performance include, plan of organization, segregation of duties, physical authorization and approval, arithmetical and accounting controls, personnel, supervision, management, acknowledgement of performance and budgeting, (Weber, 1998). System of internal control in an organization is the responsibility of all employees, from management who design, implement, and maintain controls to staff that execute various control activities, to provide accountability for managing the resources entrusted to them and to encourage sound management practices through internal

controls which coordinates department's policies and procedures to safeguard its assets, check accuracy and reliability of data, promote operational efficiency, and encourage adherence to sound management practices. Therefore, ineffective internal controls result in ineffective programs and eventually leading to losses (Olumbe, 2012). Management's close involvement in operations often will identify significant variances from expectations and inaccuracies in financial data leading to corrective action in the controls demonstrating the relationship between internal control practices and financial performance of agro-processing firms in Kenya.

An effective system of internal control must ensure the protection and safeguarding of assets, registers and information, the prevention and detection of errors and distortions, the execution of orders and instructions to company management to ensure the accuracy and completeness of the accounting records and the timely production of reliable financial statements. The effectiveness of internal control is of great importance both for the firm as a whole and to enhance the efficiency of subsidiaries, departments, divisions, improve business processes. This is because the control function, acts as a link and a means of feedback between management and staff of the company, (E.U, Strelnik etl, 2017). (Holmes et al, 2002) found that whenever top management firmly supports internal control, internal perpetrators and fraud were less likely to occur. Another study found that access to various control mechanism alone does not curb losses due to fraud, (Holtfreter, 2004).

1.2 Statement of the Problem

Internal control should ensure effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations to which the company is subject. Lack of controls and their deficient operations expose firms making them vulnerable to a number of risks this is due to fact that most agro-processing firm's management are weak in the implementation of internal control systems. This agreement is supported by (Ringo, 2013) who suggests despite the existence of internal audits in various local authorities with internal control systems in place, financial crimes still persist in the form of fraud irregularities, liquidity problems, insufficient accountability, untimely financial reports, theft of assets, non-compliance of rules and regulations yielding unfavorable decisions that do not lead to expected outcome such as profitability and growth. The application of internal control measures is

inevitable for maximizing the financial performance of any organization. Furthermore, the lack of systemic procedure to reprimand fraudulent behavior is another factor to consider as well as low compensation, which is major factor in hindering internal control implementation. These are challenges, which impose detrimental effects on organizational financial performance. Therefore, the study examines the effect of internal control practices on financial performance of agro-processing firms in Kisumu County, Kenya.

1.3 Objectives of the study

1.3.1 General Objective

The general objective of this study was to determine the effect of internal control practices on the financial performance of agro-processing firms in Kisumu County, Kenya.

1.3.2 Specific Objectives

The specific objectives of the study will be:

i. To determine the effect of internal control environment on financial performance of agro-processing firms in Kisumu County, Kenya

ii. To establish the effect of risk assessment on financial performance of agro-processing firms in Kisumu County, Kenya

iii. To determine the effect of control activities on financial performance of agro-processing firms in Kisumu County, Kenya

iv. To assess the effect of information and communication on financial performance of agro-processing firms in Kisumu County, Kenya

v. To assess the effect of monitoring on financial performance of agro-processing firms in Kisumu County, Kenya

1.4 Research Hypothesis

The research hypotheses of the study will be:

i. H0: There is no relationship between internal control environment and the financial performance of agro-processing firms in Kisumu County, Kenya.

ii. H0: There is no relationship between risk assessment and the financial performance of agro-processing firms in Kisumu County, Kenya.

iii. H0: There is no relationship between control activities and the financial performance of agro-processing firms in Kisumu County, Kenya.

iv. H0: There is no relationship between information and communication and the financial performance of agro-processing firms in Kisumu County, Kenya.

vi. H0: There is no relationship between monitoring and the financial performance of agro-processing firms in Kisumu County, Kenya.

1.5 Scope of the study

The study sought to determine the effect of internal control practices on financial performance of agro-processing firms in Kisumu County, Kenya.

The internal control practices in this study were based on the control environment, risk assessment, control activities, information and communication and monitoring. On the other hand, financial performance was focus on return on investment, return on equity, return on sales and profitability.

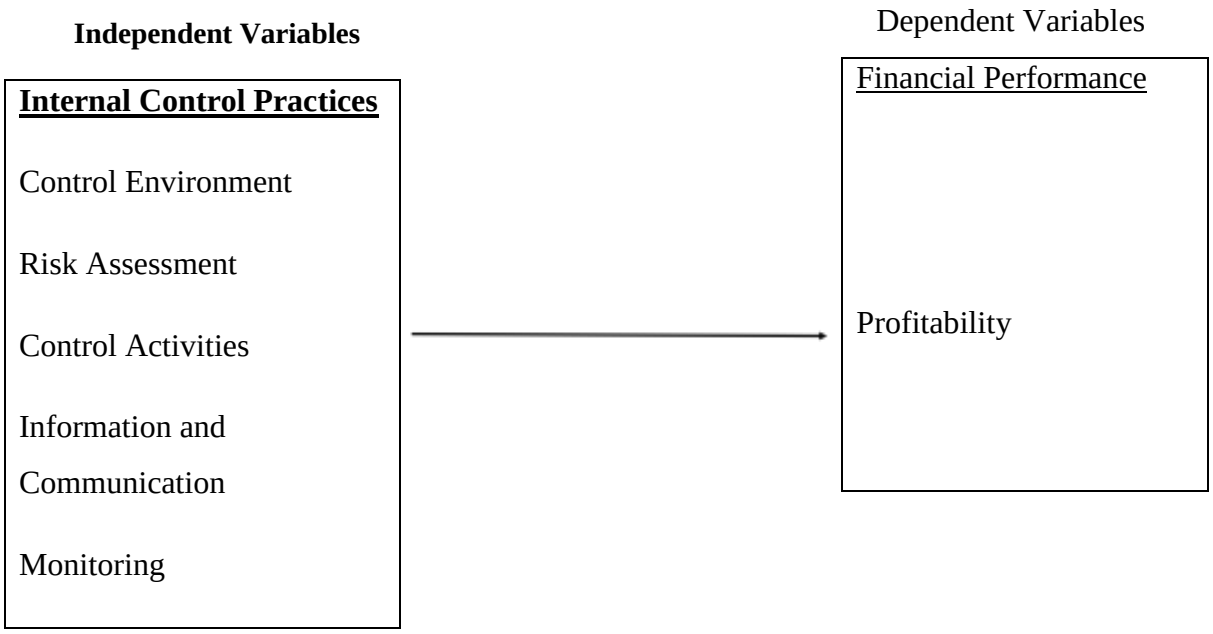
1.6 Justification of the study

This study of the effect of internal control practices on the financial performance of agro-processing firms in Kenya is essential, given that agriculture is the backbone of Kenya's economy. The need to increase efficiency in the use of resources, fraud prevention, reliable financial records and compliance with laws and regulation in the agro-processing industry is important. This study will contribute towards providing information on the effectiveness and

efficiency of internal control practices on the financial performance of agro-processing firms in Kisumu County, Kenya. The understanding of efficiency levels and their implications for the agro-processing industry's resource use is one way that could enable development planners and policy makers to determine the current situation, assess challenges and opportunities of this industry, to enable them to come up with more appropriate ways to allocate resources to this industry and to maximize the return on investment. Potential investors would be informed of viable investment options in Kisumu County. Government will be able to constitute sustainable policies and regulations to govern the sector and academicians can further their knowledge on the effect of internal controls on financial performance; which can be useful in teaching and hence add to the existing knowledge for both researchers and academicians who may seek to explore and carryout further investigations, as this research is not exhaustive of all determinants and variables.

1.7 Conceptual Framework

The conceptual framework shows the relationship between the dependent variable and the independent variables. Effects of internal control practices on financial performance of agro-processing firms in Kisumu County, Kenya entails financial performance as the dependent variable, while the internal control practices are the independent variables. The dependent variable entails the attainment of the strategic objectives which the firm sets out to achieve; profitability, customer satisfaction and growth.



Source: Adapted from (Nyaboke ,2017)

Figure 1.0: Conceptual Framework of internal controls on financial performance of agro-processing firms

Internal control systems including internal audits are intended primarily to enhance the reliability of financial performance, either directly or indirectly by increasing accountability among information providers in an organization (Jensen,2003). Internal control therefore, have a much broader purpose such that the organization level of control problems associated with lower revenues, will explore links between disclosure of material weakness and fraud, earnings management or restatements. Internal controls provide an independent appraisal of the quality of managerial performance in carrying out assigned responsibilities for better revenue generation.

An effective internal control system unequivocally correlates with organizational success in meeting its financial target. Effective internal control for profitability involves; a regular review of the reliability and integrity of financial and operating information, a review of the controls employed to safeguard assets, an assessment of employees' compliance with management policies, procedures and applicable laws and regulations, an evaluation of the efficiency and effectiveness with which management achieves its organizational objectives.

There are three major classifications of internal controls: preventive, detective, and corrective. Preventive controls predict potential problems before they occur, make adjustments, and prevent an error, omission or malicious act from occurring. The detective controls detect and report the occurrence of an omission, an error or a malicious act. Finally, the corrective controls help in ensuring that the impact of a threat is minimized, identify the cause of a problem as well as the correct errors arising from the problem. Corrective controls amend problems discovered by detective controls and modify the processing system to minimize future occurrence of the problems.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

There are numerous literatures that have explored the topic of internal control and its significance to a firm. According to Boynton et al (2001) is a process implemented by an entity's board of directors, management, and other personnel designed to provide reasonable assurance regarding the accomplishment of goals in the following areas: reliability of financial reporting, compliance with applicable laws and regulations and effectiveness and efficiency of operations. In light of the definition, internal control plays a significant role to the financial performance of an organization. In firms all forms of occupational fraud are clandestine, which violate the employee's fiduciary duties to the organization, and are committed for the purpose of direct or indirect financial benefit to the perpetrator, and cost the employing organization assets, revenues, or reserves (Holtfreter, 2004). Holtfreter further argues that employee fraud causes extensive costs related to societal outcomes such as diminished trust in governmental and corporate institutions, reduced consumer confidence and increased prices of commercial products. Financial performance is a result of appropriate internal control system implemented in an organization. Therefore, internal control should be a topic of great concern for the financial health of any organization.

2.2 Theoretical Literature Review

2.2.1 Agency Theory

Agency theory has been widely used in literature to investigate the information asymmetry between principals (shareholders) and agent (management). This study uses the agency theory to determine the effect of internal control practices on the financial performance of agro-processing firms in Kenya. Agency theory argues that in the modern corporation, in which share ownership is widely held, managerial actions depart from those required to maximize shareholder returns (Berle & Means, 1932); (Pratt & Zeckhauser, 1985). In agency theory terms, the owners are principals, the managers are agents, and there is an agency loss, which is the extent to which returns to the residual claimants, the owners, fall below what they would

be if the principals, the owners, exercised direct control of the corporation (Jensen and Meckling, 1976).

(Sarens and Abdolmohammadi, 2007), states that according to the agency theory, a company consists of a set of linked contracts between the owners of economic resources (the principals) and managers (the agents) who are charged with using and controlling these resources. (Jensen and Meckling, 1976), states that in agency theory, agents have more information than principals and this information asymmetry adversely affects the principals' ability to monitor whether or not their interests are being properly served by the agents.

Agency theory specifies mechanisms, which reduce agency loss (Eisenhardt, 1989). These include incentive schemes for managers that reward them financially for maximizing shareholder interests. Such schemes typically include plans whereby senior executives obtain shares, perhaps at a reduced price, thus aligning financial interests of executives with those of shareholders (Jensen & Meckling, 1976). Other similar schemes tie executive compensation and levels of benefits to shareholders returns and have part of executive compensation deferred to the future to reward long-run value maximization of the corporation and deter short-run executive action, which harms corporate value. In like terms, the kindred theory of organizational economics is concerned to forestall managerial "opportunistic behaviour" which includes shirking and indulging in excessive perquisites at the expense of shareholder interests (Williamson, 1985). A major structural mechanism to curtail such managerial "opportunism" is the board of directors. This body provides a monitoring of managerial actions on behalf of shareholders. Such impartial review will occur more fully, where the chairperson of the board is independent of executive management. Where the chief executive officer is chair of the board of director the impartiality of the board is compromised. Agency and organizational economics theories predict that when the CEO also holds the dual role of chair, then the interests of the owners will be sacrificed to a degree in favour of management, that is, there will be managerial opportunism and agency loss. Principals lack of trust in their agents and may therefore need to put in place mechanisms, such as the audit, to reinforce this trust. Agency theory therefore, is a useful economic theory of accountability, which helps to explain the development of internal control practices.

This theory is applicable to this study simply because internal control is one of many mechanisms used in business to address the agency problem by reducing agency costs that

affects the overall performance of the relationship as well as the benefits of the principal. Internal control enhances the provision of additional information to the principal (shareholder) about the behavior of the agent (management) reduces information asymmetry and lowers investor risk and low revenue.

2.2.2 Stewardship Theory

(Davis, Schoorman & Donaldson, 1997) defined stewardship theory as the process where stewards protect and maximize shareholder's wealth through improved firm's performance, because by doing so, the stewards recognize, that the utility function is maximized. Stewardship theory refers more to the manager and chief executive as the main individuals responsible for the stewardship function in the organization. The stewardship role is depicted with service to the firm over self-interest, further establishing that organization and individual roles can be easily achieved by honoring the stewardship relationship and treating followers like owners and partners.

2.2.3 Positive Accounting Theory

The positive accounting theory itself was developed by (Watts & Zimmerman, 1986), who states that positive accounting theory is concerned with explaining accounting practice. It is designed to explain and predict which firms will not use a particular accounting method but says nothing about which method a firm should use." The theory is based on "the assumption that all individual actions is driven by self-interest and that individuals will always act in an opportunistic manner to the extent that the actions will increase their wealth", (Deegan & Unerman, 2006). From this perspective, the positive accounting theory predicts that organizations will seek to put mechanisms in place to limit actions that are driven by self-interest. This is needed to align the interest of managers of the firm (agents) with that of the owners of the firm (the principles). The costs of dealing with problems concerning the agency relationship and installing appropriate mechanisms are referred to as 'monitoring cost'.

2.3 Empirical Literature Review

2.3.1 Internal Control Environment and Financial Performance

Establishment and supervision of internal control practices are the responsibility of management so as to achieve its objectives, such as assignment of authority and responsibilities, communicating the organizational culture; facilitating the establishment of the board of director's and audit committee; overseeing human resource policies and procedures. Corporate Governance provides the details of divisional responsibilities, formation of policies regarding operations and guidelines for board members, president and other top management. Employees should be communicated the details of these control documents through established information and communication channels.

According to (Gift, 2018), internal controls have significant extent in influence financial performance of and that a positive relationship exists between internal control and financial performance of in Rivers State. In his study, he concluded that the control environment affects total revenue as such influences the financial performance of hospitality organizations in rivers state, its nonexistence or inadequacy may spell doom for an organization. One of the recommendations made was that management of HOs should regularly upgrade their information and communication framework to enable them cope with the frequent changes in the global environment and as such improve their financial performance

Study by (Khamis, 2013) found out that there is a significant positive relationship between internal control system (control environment) and financial performance of financial institution. In his research Mawanda (2008) established that there is a positive relationship between control environment and financial performance of institutions of higher learning in Uganda as portrayed by his case study of Uganda Martyrs University.

2.3.2 Risk Assessment and Financial Performance

Internal control is one of the principal means by which risk is managed by the transfer of risk to third parties, sharing risks, contingency planning and the withdrawal from unacceptably risky activities. The Board is responsible for the governance of risk and ensures that management maintains a sound system of risk management and internal control practices, to

safeguard the interests of the firm, shareholders and stakeholders. The role of internal control here is to manage risk rather than to eliminate it. It is important that risk management and control are not seen as a burden on the firm, rather the means by which business opportunities are maximized and potential losses associated with unwanted events reduced. Increased shareholder value is the reward for successful risk taking and the role of internal control practices is to manage risk appropriately rather than to eliminate it.

Study (Poudel, 2012) revealed that all these parameters have an inverse impact on banks' financial performance; however, the default rate is the most predictor of bank financial performance. The recommendation is to advice banks to design and formulate strategies that will not only minimize the exposure of the banks to credit risk but will enhance profitability.

2.3.3 Control Activities and Financial Performance

Managers are consistently faced with the decision of how to allocate scarce corporate resources in a demanding and highly competitive environment. Moreover, the economic crisis brings the strategic corporate concerns to a new level, where the profitability – social responsibility duality becomes even more controversial. A company's market value is a key determinant of its future success as it affects its ability to raise capital, recruit and retain key employees, and make strategic acquisitions (Hutton, 2004). Well-informed investors are a necessity for a company to achieve and maintain accurate valuations of its stock (Hutton, 2004). The primary objective of financial reporting, from a management point of view, is to assure stakeholders that the company can produce respectable earnings per share ratio, both consistently and reliably. This stimulates investment in a firm. As analysts and investors alike are predominantly risk averse, researchers suggest that company earnings are the preferred metric for investors, as perceived by CFOs (Graham et al., 2005). By meeting financial targets, top management are able to maintain healthy stock prices, build confidence in both the future prospects and current viability of investing in the company and build a credible reputation for the governance of the firm.

(Ndifon Ejoh, 2014) study revealed that all activities of the College are initiated by the top management. Regarding control activities, the study found that there is clear separation of role in the institutions' finance and account department and that superior officer in the College

supervised regularly work done by their subordinate. In addition, the study found that the institution financial statements are audited annually by external auditors. However, there is a possibility for a single staff to have access to all valuable financial information without the consent of other staff. On the budgetary control, the study revealed that the institution adhere strictly to the provisions of annual departmental budget and that control are in place to exclude incurring expenditure in excess of allocated fund. In addition, there is poor security network in the College. The study result further shows that there is no significant relationship between internal control activities and financial performance of Cross River State College of Education.

2.3.4 Information and Communication and Financial Performance

Firms are being forced to critically re-evaluate how they communicate their financial information to stakeholders. Integrated Reporting, as mandated by the King III Report seeks to combine the reporting of financial and non-financial performance measures in a way that promotes corporate strategy. The quality of information and effectiveness of communication are key in the internal control practices. An Integrated Report is "a concise communication about how an organization's strategy, governance, performance and prospects lead to the creation of value over the short, medium and long term" (IIRC, 2013). Integrated Reporting is aimed towards providing benefits to a range of stakeholders and in particular to providers of financial capital allocation or investment decisions (IIRC, 2013)

2.3.5 Monitoring and Financial Performance

The Firm should have an audit committee which is collectively responsible for assessing whether operations are effective and efficient; overseeing compliance with law and regulation and ensure reliable reporting as they work in hand with management for the long-term success of the company. The firm should treat all shareholders fairly and equitably in order to enable them to exercise their rights and have opportunities to communicate their views on matters pertaining to the firm. Management should give shareholders and stakeholders a balanced and understandable assessment of its performance, position and prospects of the firm.

(Belfield, 2003) founds strong evidence that the use of PRP can enhance performance outcomes; it also determines that this relationship is qualified by the structure of workplace

monitoring environments. In addition, it presents evidence that managers learn about optimum combinations of pay system and monitoring environment through a process of experimentation. Finally, although there exists a robust positive association in these data between use of PRP and pay inequality, it appears that these higher levels of inequality carry no performance penalty.

2.4 Internal Controls

Internal control may be a handle, affected by an entity's board of directors, administration and other faculty, planned to supply sensible confirmation with respect to the accomplishment of a firm's destinations within the viability and effectiveness of operations, unwavering quality of money related and administration detailing, compliance with appropriate laws and directions and ensure the organization's notoriety (Kaplan,2008). Effective inner control works when a few particular methods are received by the administration. Worldwide Bookkeeping Benchmarks (IAS) categorizes inside control sorts as a arrange of organization, isolation of obligations, control of records, defending of resources, competence of staff, number juggling and bookkeeping controls, recording and record keeping, supervision, authorization and endorsements, livelihood and revolution of obligations, fetched possibility, schedule and programmed checks. (Saleemi ,2000) alludes to arrange of organization as an organization chart appearing the organization structure of a company.

The reason of this chart is to appear how the company has been partitioned into divisions and divisions into segments and most critical to appear what responsibilities and obligations are doled out to each officer. Specialist and obligations are clearly characterized. Workers perform their obligations agreeing to the organization arrange. This arranges distributes and characterizes obligations and recognizes lines of announcing for all angles of commerce operations. The arrange of organization is required for viable inside control. Internal controls comprise of five components to be specific: Control environment- Typically the establishment for all the other components of inside control. It comprises of components like judgment and moral values of staff entrusted with making, regulating and checking the controls, commitment and competence of people performing allotted obligations, board of executives or review committees, management philosophy and operating style and organizational structure, Risk assessment process, this refers to the careful assessment of factors that affect the possibility of

objectives of the organization not being achieved. It refers to the identification and analysis of relevant risks associated with achieving the objectives of the organization.

2.5 Financial Performance

Positive financial performance in a manufacturing firm can be achieved by eradicating waste in benefits services processes and systems. The "critical success factor" for a manufacturing firm is the degree to which it fulfills its set objectives and mission in terms of being efficient, effective and economical. The information obtained from a sound internal control as reflected from financial statements will provide a report on a firm's financial performance and position that is useful to a wide range of users for assessing the stewardship and making economic decisions (Davies, 2007).

Internal Control is very instrumental in achieving the firm's set mission and objectives; hence Value for Money. The main approach to VFM is the firm's control over the use of resources in order to achieve its set objectives. Heads of departments should establish sound arrangements for planning, appraising, authorizing and controlling operations in order to achieve positive Financial Performance. Financial Performance and Value for Money are used to assess whether or not a firm has obtained the maximum benefit from the goods and services it acquires and provides, within the resources available to it.

2.6 Internal Controls and Financial Performance

Internal control including internal audits are intended primarily to enhance the reliability of financial performance, either directly or indirectly by increasing accountability among information providers in an organization (Jensen, 2003). Internal control therefore has a much broader purpose such that the organization level of control problems associated with lower revenues, which explore links between disclosure of material weakness and fraud, earnings management or restatements internal controls provide an independent appraisal of the quality of managerial performance in carrying out assigned responsibilities for better revenue generation (Beeler et al, 2006).

(Fadzil et al, 2005) said that an effective internal control unequivocally correlates with

organizational success in meeting its revenue target level. Effective internal control for revenue generation involves; regular a review of the reliability and integrity of financial and operating information, a review of the controls employed to safeguard assets, an assessment of employees' compliance with management policies, procedures and applicable laws and regulations, an evaluation of the efficiency and effectiveness with which management achieves its organizational objectives (Ittner, 2003).

Most organizations no longer set up internal control as a regulatory requirement but also because it helps in ensuring that all management activities are appropriately carried out (Kenyon and Tilton, 2006). Further, organizations are making it a point of duty to train, educate, and sensitize their employees on how to use this internal control system since its effectiveness depends on the competency and dependability of the people using it. All these control actions ensure that any risks that may affect the company's ability to achieve its goals are appropriately avoided and should occur at all levels and in all functions of the organization (Doyle et al, 2005).

There are three major classifications of internal controls; preventive, detective, and corrective. Preventive controls predict potential problems before they occur, make adjustments, and prevent an error, omission or malicious act from occurring. The detective controls are used to detect and report the occurrence of an omission, an error or a malicious act. Finally, the corrective controls help in ensuring that the impact of a threat is minimized, identify the cause of a problem as well as the correct errors arising from the problem. Corrective controls correct problems discovered by detective controls and modify the processing to minimize future occurrence of the problem (Singleton, 2006).

Value for Money is not paying more for a good or service than its quality or availability justifies, as well public spending implies a concern with economy (cost minimization), efficiency (output maximization) and effectiveness (full attainment of the intended results). The most effective way to improve financial performance is by reducing the level of irregularity and fraud through improvements in the firm's use of internal financial control. Shareholders need to be assured that their resources are being used efficiently and effectively in providing the right service at the least cost. Financial Performance analysis needs to pay attention to total risks and is related to concepts of efficiency and effectiveness (Deakin, 2003).

2.7 Summary of Literature Review

From the literature reviews done it has been found out that realization of positive budgetary execution and esteem for cash depends on whether firms have internal controls. Non- compliance to the inner controls are one of the major obstacles to the achievement of positive monetary execution in Agro handling. Though a parcel has been done on control environment and control exercises there's small done almost inside review in connection to esteem for cash; what is significantly examined is esteem for cash reviews. Frail, non-compliance, non-existent or missing open monetary administration capacities (Inner Control s) are likely to refute any advantages that can be inherent in achieving positive Budgetary Execution of a firm. Subsequently, there's ought to set up the relationship between the inner control s and execution of in Agro handling in Kenya. It can be concluded. Therefore, there is need to establish the relationship between the internal controls and financial performance of in agro-processing firms in Kenya. It can be concluded from the literature that Control Environment, Control Activities, Risk Assessment, Information and Communication and Monitoring are significant predictors of financial performance.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section included the research methodology that was used in gathering the findings. It outlines the research design, target population, sampling size and technique, data collection and analysis procedures.

3.2 Research Design

Research design is the framework under which the study was undertaken. (Kothari, 2008) stated that research design is an arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance with research purpose. The descriptive survey design is relevant for this study since it focuses at one point in time and does not require several rounds of monitoring and that it has been successful in research of this nature. The descriptive survey attempted to document current conditions to describe what exists at the moment without manipulation. It also enables detailed description of the relationships of the variables of the study set on a conceptual framework, which depicts the interrelation between the variables in a bid to emphasize on the effect of internal control practices on the financial performance. According to (Mugenda and Mugenda, 2009), survey studies are usually evaluated against strengths and weaknesses of statistical, quantitative research methods and analysis which tally with present study.

3.3 Study Area

The study was conducted in Kisumu County, which is one of the forty-seven counties in Kenya. The County was chosen for this study because it has various viable agro-processing firms which will be ideal for the study.

3.4 Target Population

The target population for the study was comprised of employees in the agro-processing firms which total 80 operating within Kisumu County. Respondents comprised both the male and female gender were selected from the agro-processing firms irrespective of their skills and departments.

Table 3.0 Target Population

Department	Target Population
Accounts/Finance	24
Administration	12
Operations	44
Total	80

Source: Administration the various organizations (2018)

3. 5 Sampling frame

According to (Cooper and Schindler, 2006) a sampling frame is the list of elements from which the sample is actually drawn. It is a complete and correct list of population members only. Here, the list comprised of the whole population of employees as shown on Table 3.0

3.5.1 Sample Size and Sampling Technique

The study used stratified random sampling technique to select respondents since the study population was homogenous and primary data collection methods. A sample must represent well the characteristics of the population. It has to be accurate as studying the entire population (Kothari, 2004). The Likert five scale methods are used. Likert type summated rating scales of questionnaire from strongly disagree (1) to strongly agree (5) were adopted. According to (Mugenda and Mugenda, 2003) the sample size is a function the total population and is acquired as follows:

$$n = \frac{n}{1 + n (e)^2}$$

Where:

n= The desired sample size

1 = Constant

e = limit sampling error

Assuming a sample error is 0.05, this can be computed as show below; n

$$n = \frac{80}{1 + 80 (0.05)2 =}$$

$$\frac{80}{1.20} = 66$$

The sampling size in the agro-processing firms is distributed based on the sample population. The following formula will be used to get desired results from various firms in Kisumu

$$= \frac{Xi \times n}{\Sigma i}$$

Where; Xi = sample size of each agro-processing firm

n= Sample size

Σi = Target population of the firm

Example: $\frac{24 \times 66}{80} = 20$ (Sample population per firm)

Table 3.1 Sampling Frame

Department	Target Population	Sample Population
Accounts/Finance	24	20
Administration	12	10
Operations	44	36
Total	80	66

Source: Source: Administration the various organizations (2018)

3.6 Data Collection

The study used questionnaires as a tool for data collection. The questionnaires were self-administered where the researcher interviews the respondents. The researcher also used semi-structured questionnaires, which allowed collection of qualitative data.

3.6.1 Sources of Data

The researcher collected primary data through questionnaires.

3.6.2 Data Collection Procedure

The researcher used quantitative techniques in analyzing the data. After receiving questionnaires from the respondents, the responses were edited, classified, coded and tabulated to facilitate quantitative analysis using Statistical Package for Social Science (SPSS version 21). Tables and figures were used to present the analysis output. Inferential statistical regression and correlation were done to establish the effect of internal control systems on financial performance. The Pearson Correlation Matrix were used to test the multi collinearity assumption, while an analysis of residuals and the plots of the regression residuals against predicted values will be conducted to test for independence of error term.

3.6.3 Pilot Test

A pilot test was done to assess for constancy and any faults in the design and development of the questionnaire before commencement of the main study. It facilitates in the identification of vital information as well as making corrections of the questionnaire following the pilot test results. Ambiguous, biased and unclear questions were corrected. The research instruments will pilot test using a sample size of five (7) respondents who were randomly selected from the finance, administration and operations staff. The final questionnaires were then printed and used to collect data for analysis.

3.6.4 Instrument for Data Collection

This study relies on primary data, which was collected using semi-structured questionnaires. I conducted an in-depth interview with the interviewees to explore the effect of internal control practices on financial performance. The questionnaire was preset open-ended structured questions. The Likert scale was used to generate the questions in the questionnaire. The open-ended questions give more organized reactions to encourage substantial suggestions. The questionnaire was sub-divided into two sections. The first section addressed the demographic characteristics of the respondents while the second section addressed the five (5) research objectives, that is control environment, risk assessment, control activities, information and communication and monitoring.

3.6.5 Validity Test for Data Collection Instrument

Validity is a measure of the degree to which data obtained from the instrument accurately and meaningfully represents the theoretical concept and in particular how the data represents the variables. Validity is the accuracy and meaningfulness of inferences, which are based on the research results, Cooper & Schindler, (2003). In order to test and enhance the validity of the questionnaire, the study conducted a pilot study to pre-test and validates the data instrument. Ten questionnaires were pilot tested which was not be included in the main study as well as the feedback to improve the other questionnaire's. The pilot group was done through random sampling The content validity formula was used in this study. The formula is; Content Validity Index = (No. of judges declaring item valid) / (Total no. of items) was pilot tested which was not included in the main study and also feedback was used to improve the questionnaires. The motivation behind the pilot test is to set up the legitimacy and unwavering quality of the exploration instruments and thus upgrade its legitimacy. To establish the validity of the research instruments the researcher sought the opinion of experts in the field of study. The dependable guideline is that 10% of the specimen ought to constitute the pilot test (Cooper & Schilder, 2011).

3.6.6 Reliability Test for Data Collection Instrument

Reliability refers to the consistence, stability, or dependability of the data. A researcher measures a variable, to be sure that the measurement provides dependable and consistent results. To establish the reliability and validity of the research instrument, the study sought the opinions of experts in the field of study especially the supervisor and lecturers. This facilitated the necessary revision and modification of the research instrument thereby enhancing validity. The study used Cronbach (Alpha – α) model to test the reliability of the data. Brown (2002) noted that the Cronbach's alpha reliability coefficient normally ranges between 0 and 1.0. The closer the coefficient is to 1.0, the greater the internal consistency of the items in the scale. SPSS application was used in the calculation of the Cronbach's alpha for reliability analysis.

3.7 Data Analysis

Data processing involves editing, coding, classification, tabulation and graphical presentation (Hall, 2008). The data collected in this research was edited to make it unambiguous and clear while maintaining consistency and accuracy.

Data analysis usually involves reducing accumulated data to a manageable size, developing summaries, looking for patterns, and applying statistical techniques Cooper & Schindle, (2011). Data will be analyzed by descriptive statistics and multiple linear regression analysis. The multiple linear regression models will be used to determine the relationship between independent variables (X) and the dependent variables (Y). shown below;

$$Y= \alpha + \beta 1x1 + \beta 2x2 + \beta 3x3 + \beta 4x4 + \beta 5x5 + \varepsilon$$

Where: Y = Financial Performance; α = Constant; $\beta 1x1$ = Internal control environment; $\beta 2x2$ = Risk assessment; $\beta 3x3$ = Control activities; $\beta 4x4$ = Information and communication; $\beta 5x5$ = Monitoring; ε = Error term

3.8 Data Presentation

The information was presented using bar charts, graphs and pie charts. Descriptive data was presented using measures of central tendency like mean and standard deviation.

3.9 Research Ethics

Ethical considerations in research are fundamental. Ethics are the norms or standards for conduct that distinguish between right and wrong, as they help to determine the difference between acceptable and unacceptable behaviours. Respondents consent was sort prior to commencement of the study while those respondents who were not willing to participate in the study were under no obligation to do so. Respondents' names were not indicated in the data collection tools for confidentiality and information gathered was only used for the purposes of this academic study. The researcher ensured that nothing could be traced back to any of the respondents should the findings of this study be published. Research authorities were consulted and permission granted.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the research findings to the effect of internal control practices on the financial performance of agro-processing firms in Kenya. The first section shows various descriptive statistics of demographic characteristic and work related factors. The second section presents the results from inferential analysis to determine the relationship between dependent variable and independent variables. This Chapter therefore provides descriptions of the results and the subsequent discussions.

4.2 Socio demographic features

The demographic information of the study group in regards level of education, period of stay in the agro-processing firms and for how long the firms have been in existence.

4.2.1 Education Level

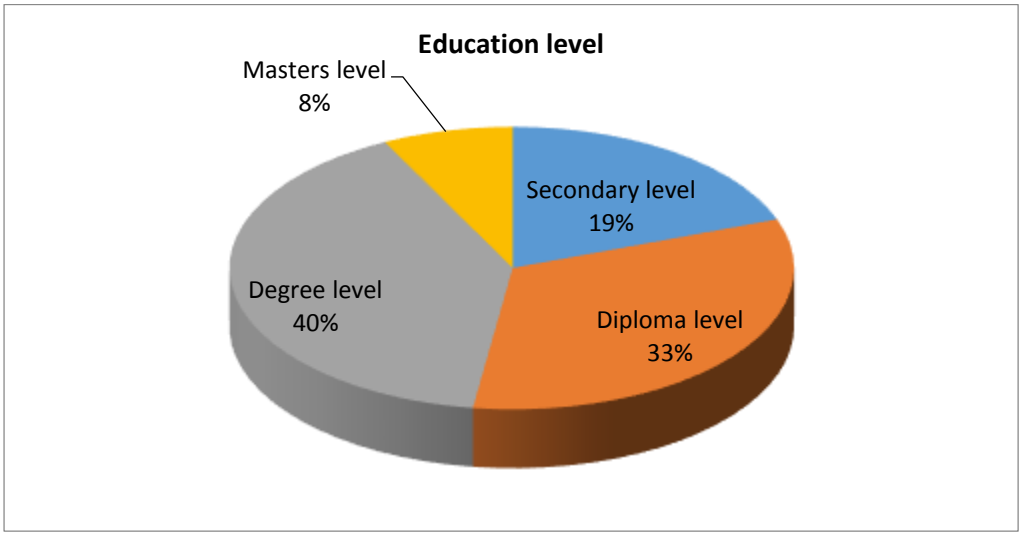


Figure 4.1: Educational levels of respondents

The chart above shows the education level of the respondents. Those with degree level of education comprised the majority of the respondents at 40% followed by those with diploma level of education at 33%. Those with secondary level of education comprised 19% of the respondents. The minority of the respondents at 8% were those with masters' level of education.

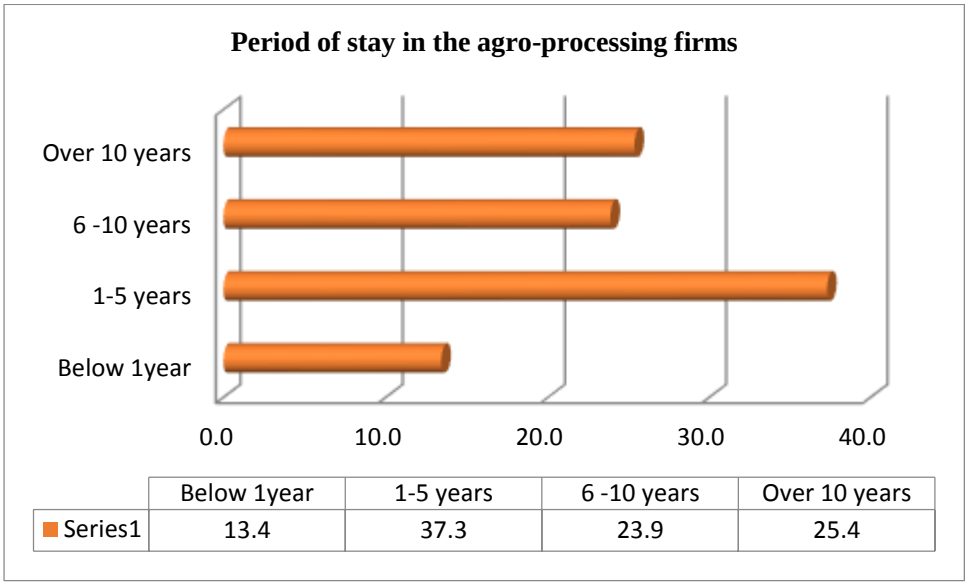
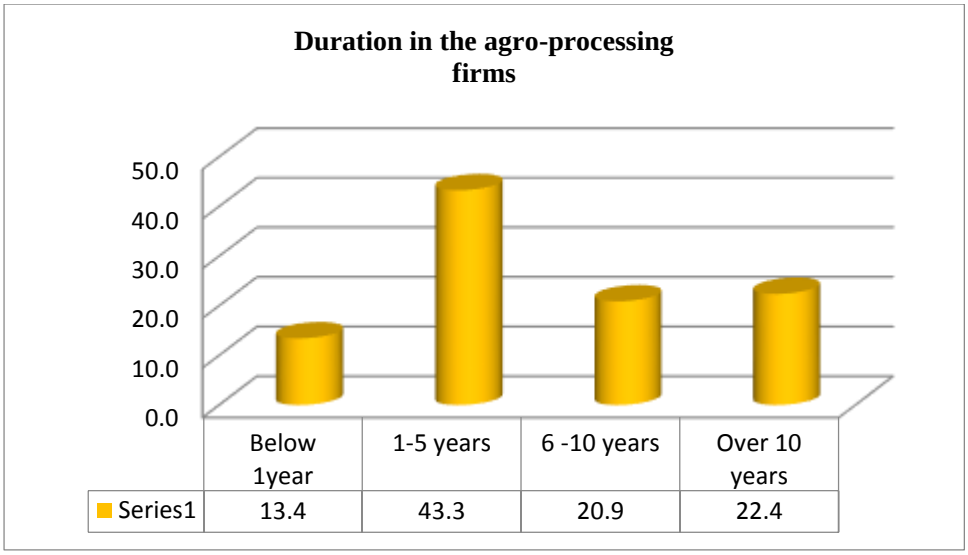


Figure 4.2: Period of stay in the agro-processing firms

4.2.2 Period of stay in the agro-processing firms

The chart above depicts in percentages for how long the respondents have been working in the agro-processing firms. It can be seen that majority of the respondents have been working in agro-processing firms for a period of between 1-5 years at 37.3%, then those who have been there for a period of over 10 years at 25.4%. Those who have worked with agro-processing firms for a period of below 1 year comprised the minority at 13.4%.



4.3: Duration in the agro-processing firms

The study revealed that the majority of the respondents have stayed in the agro-processing firms for between 1-5 years at 43.3%, then those with over 10 years' duration at 22.4%, closely followed by those between 6-10 years' duration.

Those who have been in the agro-processing firms for a period of less than one year comprised the minority at 13.4%.

Table 4.1: How long have the agro-processing firms been in operation?

Period	Frequency	Percent
Below 1year	9	13
1-5 years	31	47
6 -10 years	11	17
Over 10 years	15	23
Total	66	100.0

As to how long the agro-processing firms have been in operation, the study shows that those respondents whose agro-processing firms have been there for a period of 1-5 years comprised the majority with a frequency of 31, followed by those, which have existed for over 10 years

with a frequency of 15. Minority of the respondents with a frequency of 10 confirmed that their agro-processing firms have existed for less than 1 year.

4.3: Descriptive Statistics of the Variables of the Study

The descriptive statistics was used to describe and summarize the data of the variables inform of tables, frequencies, percentages, means and standard deviation.

Table 4.2 Effect of Internal Control Practices,

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
internal control environment	66	2	5	3.61	1.122
risk assessment	66	1	5	3.56	1.191
control activities	66	1	5	3.67	1.269
information and communication	66	2	5	3.65	.690
Monitoring	66	1	5	3.64	1.236
effect of internal control practices				3.63	1.1016
Valid N (list wise)	66				

Financial performance

Performance	66	3	5	4.03	.723

Source: Field Data

From Table 4.2, it is evident that most of the respondent agrees on the effect of internal control practices, as reflected by mean average score of 3.63 and SD of 1.1016, on internal control, it was reflected by mean = 3.61, SD=1.122. The findings indicate that the firms which have enforcement of proper internal control systems will always lead to improved financial performance.

On risk assessment level of agreement was reflected by mean = 3.56, SD=1.191. The results indicate that in recent years, stakeholder's expectations from internal audit functions have changed significantly. The focus has now moved from a compliance and financial control function to facilitating organizations to proactively identify, assess and control risks.

On control activities, level of agreement it was reflected by mean = 3.67 and SD = 1.269.

Information and communication had a mean score of 3.65 and SD= 0.69.

Monitoring had a mean score of 3.64 and SD= 1.236 while on independent variable financial performance had a mean score of 4.03 and SD=0.723.

Amudo and Inenga (2009) carried out an evaluation of internal control systems on the Regional Member Countries (RMCs) of the Africa Development Bank Group (AFDB) focusing on Uganda in East Africa. The study established that some control components of effective internal control systems are lacking in these projects which renders the current control structures in effective. The study recommended on improvement of the existing internal control systems in the project.

4.4 Relationship between Variables (*Testing the hypothesis)*

To establish whether there was any statistical relationship between effects of internal control practices and the financial performance of agro processing firms in Kisumu County, Kenya. Regression analysis between the scores of the two variables was conducted. The SPSS output shows the correlation results.

4.4 Regression Analysis

H0: There is no relationship between internal control environment and the financial performance of agro-processing firms in Kisumu County, Kenya.

Table 4.3 Internal Control environment and financial performance

Model Summary							
				Std. Error	Change Statistics		
			Adjusted	of the	R Square		Sig. F
Model	R	R Square	R Square	Estimate	Change	F Change	Change
1	.917[a]	.841	.839	.22174	.841	344.102	.000

Source: Field data, 2019

a. Predictors: (Constant), internal control environment

R square is the coefficient of determination which illustrates the variation in the dependent variable is due to changes in the independent variable. From the findings in table 4.3 above the value of R square was 0.841P <0.05 an indication that there was variation of 84.1% on the financial performance of agro-processing firms is due to changes in internal control environment as they represent 'the processes effected by the board of directors, management and other personnel to provide reasonable assurance regarding the achievement of objectives,' (Pricewaterhouse Coopers, 2014). This shows that 84.1% changes in financial performance of agro-processing firms could be accounted for changes in internal control environment. R is the correlation coefficient which shows the relationship between the study variables, from the findings shown in table above there was a positive relationship between the study variables as shown by 0.917, the null hypothesis which stated that "H0: There is no relationship between internal control environment and the financial performance of agro-processing firms in Kisumu County, Kenya.**"** was rejected. The findings concur with, (Whittington and Pany, 2001) noted that the control environment sets the tone of the organization by influencing the control consciousness of people. They further assert that control environment is viewed as the foundation for all the other components of internal control. It is therefore concluded that there is a statistically significant positive relationship between internal control environment and financial performance.

Table 4.3.1 ANOVA

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16.919	1	16.919	344.102	.000[b]
	Residual	3.196	65	.049		
	Total	20.115	66			

Source: Field data, 2019

a. Dependent Variable: Performance

b. Predictors: (Constant), internal control environment

From the ANOVA statistics, the processed data, which is the population parameters, had a significance level of 0.000 which shows that the data is ideal for making conclusions on the population's parameter as the value of significance (p-value) is less than 5%. The significance value was less than 0.05, an indication that the model was statistically significant.

Table 4.3.2 Coefficients of Internal control environment and financial performance

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.461	.195		2.367	.021
	internal control environment	.993	.054	.917	18.550	.000

Source: Field data, 2019

a. Dependent Variable: Performance

b.

Table 4.2 presents the model for internal control environment and financial performance in a single contributory analysis.

For the model Y = a + bx is explained from the results in such a way that;

Financial Performance (Y) = 0.461 + 0.993 Internal Control Environment (X)

This implies that one-unit increase in financial performance is associated by 0.993 units of internal control environment. At 5% level of significance and 95% confidence level, internal

control environment had a 0.000 *p* value. Therefore, the firms should engage in provision for internal control environment functions such as transaction approval authority requirements, physical audits of assets, standardized financial documentation, separation of duties, and accounting system access controls. There is high potential of the general financial performance of the business increasing. The above findings concur with the findings by (Gift, 2018), who established that internal controls have a significant impact on financial performance and that a positive relationship exists between internal control and financial performance of hospitality organizations in Rivers State.

H0: There is no relationship between risk assessment and the financial performance of agro-processing firms in Kisumu County, Kenya.

Table 4.4 Risk assessment and financial performance

Model Summary

				Std. Error	Change Statistics		
Model	R	R Square	Adjusted R Square	of the Estimate	R Square Change	F Change	Sig. F Change
1	.941[a]	.885	.884	.18825	.885	502.638	.000

Source: Field data, 2019

a. Predictors: (Constant), risk assessment

R squared is coefficient of determination that tells us the variation in the dependent variable due to changes in the independent variable, from the findings in table above the value of R squared was 0.885, P<0.05 an indication that there was variation of 88.5% on the financial performance of financial performance of agro-processing firms is due to changes in risk assessment. This shows that 88.5% changes in financial performance of agro-processing firms could be accounted for changes in risk assessment. R is the correlation coefficient which shows the relationship between the study variables, from the findings shown in table above there was a positive relationship between the study variables as shown by 0.941. the null hypothesis which stated that "H0: There is no relationship between risk assessment and the financial performance of agro-processing firms in Kisumu County, Kenya.**"** was rejected. It is therefore conclude that there is statistically significant positive relationship between risk assessment and

financial performance, with more Risk assessment there is like hood to trigger higher financial performance.

Table 4.4.1 ANOVA

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	17.812	1	17.812	502.638	.000[b]
	Residual	2.303	65	.035		
	Total	20.115	66			

Source: Field data, 2019

a. Dependent Variable: Performance

b. Predictors: (Constant), risk assessment

From the ANOVA statistics, the processed data, which is the population parameters, had a significance level of 0.000 which shows that the data is ideal for making a conclusion on the population's parameter as the value of significance (p-value) is less than 5%. The significance value was less than 0.05, an indication that the model was statistically significant.

Table 4.4.2 Coefficients of risk assessment and financial performance

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.730	.149		4.891	.000
	risk assessment	.920	.041	.941	22.420	.000

Source: Field data, 2019

a. Dependent Variable: Performance

Table 4.5 presents the model for control activities and financial performance in a single contributory analysis.

For the model Y = a + bx is explained from the results in such a way that;

Financial Performance (Y) = 0.730 + 0.920 Control Activities (X)

This implies that one-unit increase in financial performance is associated by 0.920 units of control activities. At 5% level of significance and 95% confidence level, control activities had a 0.000 *p* value. Therefore, the firms should engage in provision for control activities functions such as reconciliations, authorization, performance review, verification and approval processes. There is high potential of the general financial performance of the business increasing.

These findings concur with (Poudel, 2012) Study who revealed that all these parameters have an inverse impact on banks' financial performance; however, the default rate is the most predictor of bank financial performance. The recommendation is to advice banks to design and formulate strategies that will not only minimize the exposure of the banks to credit risk but will enhance profitability.

H0: There is no relationship between control activities and the financial performance of agro-processing firms in Kisumu County, Kenya.

Table 4.5 Control Activities and Performance

Model Summary							
				Std. Error	Change Statistics		
Model	R	R Square	Adjusted R Square	of the Estimate	R Square Change	F Change	Sig. F Change
1	.931[a]	.868	.866	.20244	.868	425.837	.000

Source: Field data, 2019

a. Predictors: (Constant), control activities

R square is coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variable, from the findings in table above the value of adjusted R square was 0.868 an indication that there was variation of 86.8% on the financial performance of financial performance of agro-processing firms is due to changes in control activities. R is the correlation coefficient which shows the relationship between the study variables, from the findings shown in table above there was a positive relationship between the study variables as shown by 0.931.

Control activities are tools - both manual and automated - that help identify, prevent or reduce the risks that can impede accomplishment of the organization's objectives. Management should establish control activities that are effective and efficient. When designing and implementing control activities, management should try to get the maximum benefit at the lowest possible cost (Thomas 2007).

Table 4.5.1: ANOVA

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	17.451	1	17.451	425.837	.000[b]
	Residual	2.664	65	.041		
	Total	20.115	66			

Source: Field data, 2019

a. Dependent Variable: Performance

b. Predictors: (Constant), control activities

From the ANOVA statistics, the processed data, which is the population parameters, had a significance level of 0.000 which shows that the data is ideal for making a conclusion on the population's parameter as the value of significance (p-value) is less than 5%. The significance value was less than 0.05, an indication that the model was statistically significant.

Table 4.5.2 Coefficients of control activities and financial performance

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.861	.156		5.519	.000
	control activities	.867	.042	.931	20.636	.000

Source: Field data, 2019

a. Dependent Variable: Performance

Table 4.8 presents the model for control activities and financial performance in a single contributory analysis.

For the model Y = a + bx is explained from the results in such a way that;

Financial Performance (Y) = 0.861 + 0.867 Control Activities (X)

This implies that one-unit increase in financial performance is associated by 0.920 units of control activities. At 5% level of significance and 95% confidence level, control activities had a 0.000 *p* value. Therefore, the firms should engage in provision for control activities functions such as reconciliations, authorization, performance review, verification and approval processes. There is high potential of the general financial performance of the business increasing.

Holding control activities to a constant zero, financial performance of agro-processing firms would be at 0.861. A unit increase in control activities would lead to an increase financial performance of agro-processing firms by a factor of 0.867.

At 5% level of significance and 95% confidence level, control activities had a 0.000 *p* value.

The above study findings concur with the findings by (Ejoh and Ejom, 2014) study revealed that the top management initiates all activities of the College. Regarding control activities, the study found that there is clear separation of role in the institutions' finance and account department and that superior officer in the College supervised regularly work done by their subordinate.

H0: There is no relationship between information and communication and the financial performance of agro-processing firms in Kisumu County, Kenya.

Table 4.6 Information and Communication and Performance

Model Summary							
				Std. Error	Change Statistics		
Model	R	R Square	Adjusted R Square	of the Estimate	R Square Change	F Change	Sig. F Change
1	.937[a]	.877	.875	.19496	.877	464.226	.000

Source: Field data, 2019

a. Predictors: (Constant), information and communication

R square is coefficient of determination, which tells us the variation in the dependent variable due to changes in the independent variable, from the findings in table above the value of R square was 0.877< 0.05 an indication that there was variation of 87.7% on the financial performance of agro-processing firms is due to changes in information and communication. R is the correlation coefficient which shows the relationship between the study variables, from the findings shown in table above there was a positive relationship between the study variables as shown by 0.937 stated that "H0: There is no relationship between information and communication and the financial performance of agro-processing firms in Kisumu County, Kenya.**"** was rejected. It is therefore concluding that there is statistically significant positive relationship between Information and Communication and financial performance, with more Information and Communication there is like hood to trigger higher financial performance. The information obtained from a sound internal control system as reflected from financial statements will provide a report on a firm's financial performance and position that is useful to a wide range of users for assessing the stewardship and making economic decisions (Davies, 2005).

Table 4.6.1 ANOVA

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	17.645	1	17.645	464.226	.000[b]
	Residual	2.471	65	.038		
	Total	20.115	66			

Source: Field data, 2019

a. Dependent Variable: Performance

b. Predictors: (Constant), information and communication

From the ANOVA statistics, the processed data, which is the population parameters, had a significance level of 0.000 which shows that the data is ideal for making a conclusion on the population's parameter as the value of significance (p-value) is less than 5%. The significance

value was less than 0.05, an indication that the model was statistically significant.

Table 4.6.2 Coefficients of Information and Communication and Financial Performance

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.805	.152		5.297	.000
	information and communication	.897	.042	.937	21.546	.000

Source: Field data, 2019

a. Dependent Variable: Performance

Table 4.11 presents the model for information and communication and financial performance in a single contributory analysis.

For the model Y = a + bx is explained from the results in such a way that;

Financial Performance (Y) = 0.805 + 0.897 Information and Communication (X)

This implies that one-unit increase in financial performance is associated by 0.805 units of information and communication. At 5% level of significance and 95% confidence level, control activities had a 0.000 *p* value. Therefore, the firms should engage in provision for information and communication functions such as generating and using relevant, quality information to support the functioning of internal control, internally communicating information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control, communicating with external parties regarding matters affecting the functioning of internal control.

There is high potential of the general financial performance of the business increasing.

H0: There is no relationship between monitoring and the financial performance of agro-processing firms in Kisumu County, Kenya.

Table 4.7 Monitoring and Performance

Model Summary							
				Std. Error	Change Statistics		
Model	R	R Square	Adjusted R Square	of the Estimate	R Square Change	F Change	Sig. F Change
1	.755[a]	.570	.563	.36488	.570	86.087	.000

Source: Field data, 2019

a. Predictors: (Constant), monitoring

R square is coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variable, from the findings in table above the value of R square was 0.570, P< 0.05 an indication that there was variation of 57% on the financial performance of agro-processing firms is due to changes in monitoring. R is the correlation coefficient, which shows the relationship between the study variables, from the findings shown in table above there was a positive relationship between the study variables as shown by 0.755. "H0: There is no relationship between Information and Communication and the financial performance of agro-processing firms in Kisumu County, Kenya.**"** was rejected. It is therefore concluding that there is statistically significant positive relationship between monitoring and financial performance, with more monitoring there is like hood to trigger higher financial performance.

Table 4.7.1: ANOVA

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	11.461	1	11.461	86.087	.000[b]
	Residual	8.654	65	.133		
	Total	20.115	66			

Source: Field data, 2019

a. Dependent Variable: Performance

b. Predictors: (Constant), monitoring

From the ANOVA statistics, the processed data, which is the population parameters, had a significance level of 0.000 which shows that the data is ideal for making a conclusion on the

population's parameter as the value of significance (p-value) is less than 5%. The significance value was less than 0.05, an indication that the model was statistically significant.

Table 4.7.2 Coefficients of Monitoring and Financial Performance

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.399	.288		4.863	.000
	Monitoring	.719	.077	.755	9.278	.000

Source: Field data, 2019

a. Dependent Variable: Performance

Table 4.14 presents the model for monitoring and financial performance in a single contributory analysis.

For the model Y = a + bx is explained from the results in such a way that;

Financial performance (Y) = 1.399 + 0.719 Monitoring (X)

This implies that 0.719 units of monitoring operations associate one-unit increase in financial performance. Therefore, the firms engage in provision of monitoring function such evaluating and communicating internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the board of directors, as appropriate. There is high potential of the general financial performance of the business to increase.

This study concurs with Fadzil et al (2005) who said that an effective internal control system unequivocally correlates with organizational success in meeting its revenue target level. Effective internal control for revenue generation involves; regular review of the reliability and integrity of financial and operating information, a review of the controls employed to safeguard assets, an assessment of employees' compliance with management policies, procedures and applicable laws and regulations, an evaluation of the efficiency and effectiveness with which management achieves its organizational objectives (Ittner, 2003). According to (Angella, A. and Eno, L. I, 2009) in their research work "Evaluation of Internal Control Systems", they concluded that monitoring of operations ensures effective functioning of internal controls and thus when there is effective internal control system it would have a positive impact on the performance of an organization.

Table 4.8 Multiple Regression Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.461	0.195		2.367	0.021
	internal control environment	0.993	0.054	0.917	18.55	0
	risk assessment	0.920	0.041	0.941	22.42	0
	control activities	0.867	0.042	0.931	20.636	0
	information and communication	0.897	0.042	0.937	21.546	0
	Monitoring	0.719	0.077	0.755	9.278	0

Source: Field data, 2019

Y = 0.461 + 0.993(Internal Control Environment) + 0.92(Risk Assessment) + 0.867(Control Activities) + 0.897 (Information and Communication) + 0.719(Monitoring)

Where Y is the financial performance of agro-processing firms in Kisumu County, Kenya; β0, β1, β2, β3 and β4 are the regression coefficients and X1, X2, X3 X4 and X5 represent internal control environment, risk assessment, control activities, information, communication, and monitoring respectively. This implies that when all the variables of the study are held constant, performance of agro-processing firms in Kenya will be at the intercept, which is 0.461. A unit improvement in internal control environment while all other factors held constant results in 0.993 increase in financial performance of the agro-processing firms, a unit increase in risk assessment with other factors held constant leads to 0.920 increase in financial performance of the agro-processing firms. Similarly, a unit increase in control activities while other factor are held constant, translates to a 0.867 increase in financial performance of agro-processing firms, while a unit increase in information and communication with other factors held constant leads to a 0.897 improvement in financial performance of the agro-processing firm and in monitoring with all factors held constant results in a 0.719 increase in financial performance of agro-processing firms. This study concurs with (DeZoort *et al*., 2002) referred to as "protecting the

owners' interests by monitoring management's actions, in terms of financial reporting, risk management and internal control". Owners' interests can only be protected through accountability and reporting. This suggests that the independent variables contribute tremendously to the financial performance of agro-processing firms in Kisumu County, Kenya. In order to harmonize the interests of the agent and the principal, a comprehensive contract is written to address the interest of both the agent and the principal. The agent-principal relationship is strengthened more by the principal employing an expert and systems (auditors and control systems) to monitor the agent (Jussi & Petri, 2004). Further the theory recognizes that any incomplete information about the relationship, interests or work performance of the agent described could be adverse and a moral hazard. The findings of the Tread Way Commission Report of 1987 in the United States (USA) confirmed that absence of or weak internal controls are the primary cause of many cases of fraudulent company financial reporting (Angella & Eno 2009). The understanding of the impact that the concept of internal control has on any business is very essential for the development and the performance of an organization.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This section covers the summary of findings, conclusions, policy recommendation, suggestion of further study and limitations. The study sought to determine the effect of internal control practices on the financial performance of agro-processing firms in Kenya.

Findings

From the finding in the R square, the study found that 92.6% variation on financial performance of agro-processing firms could be accounted for by monitoring, control activities, internal control environment, risk assessment, information, and communication. From the correlation coefficient, the study found that there was a strong positive relationship between the study variables. From the ANOVA finding, the study found that the model had a significance level of 0.000, which shows that the data is ideal for making conclusions on the population's parameter as the value of significance (p-value) is less than 5%. Control activities, internal control environment, risk assessment, information, and communication and monitoring had a significant effect on financial performance of agro processing firms.

The study established the following regression analysis to determine the effect of internal control practices on financial performance of selected agro processing firms in Kisumu County, Kenya.

5.2 Summary of findings

The main objective of this study was to establish the effect of internal control practices on the financial performance of agro-processing firms in Kenya. Descriptive research design was adopted for this study. The study used primary data collected from semi-structured questionnaires. Quantitative data was analyzed using descriptive statistics regression analysis. Quantitative data was coded and entered into Statistical Packages for Social Scientists (SPSS Version 20.0). Analysis was, then, based on descriptive statistics. Multiple regression analysis was used to establish the relationship between internal control practices on the financial performance of agro-processing firms in Kenya. From the study findings, in regard to their level of education, the study findings revealed that most of the respondents were graduates.

The results of the regression model show that there is a positive relationship between internal controls, risk assessment, monitoring information and communication, internal control environment and financial performance of agro processing firms in Kisumu. The results of the multiple regression model show that there is a positive relationship between internal control and financial performance of manufacturing firms in Kenya. This implies that a single unit increase in any of the independent variables results into a corresponding increase in financial performance of agro processing firms in Kisumu. The study established the internal controls affect financial performance of agro processing firms in Kisumu, Kenya, to a great extent. The study further established that most agro processing firms had invested in modern technologies for example information communication technology to reduce cases of fraud through transactions**.**

5.3 Conclusions

From the findings of the study, it was concluded that agro processing firms that had invested on effective internal control systems had more improved financial performance as compared to those firms that had a weak internal control system. It further revealed that those firms that observed risk assessment, control activities, monitoring and information communication technology recorded high financial performance. Most agro processing firms that fully invested in strong internal control systems were able to mitigate fraud. Based on the study findings, the results indicated that some firms faced challenges in effective implementation. The findings of the study found that control activities had a significant positive relationship with financial performance indicators. Similarly, the other variables for instance internal control environment, risk assessment, control activities and information and communication and monitoring was also found to have a positive relationship with financial performance of agro processing firms in Kisumu, Kenya,

5.4 Policy Recommendation

The study recommends that both internal and external auditor should be constantly updated and well conversant in international financial reporting standards (IFRS) and principles in order to enhance their knowledge and skills in application of accounting practices and to keep them updated on the contemporary issues. Kenya Association of Agro processing firms should

monitor and supervise agro processing firms to ensure that the accountants comply with accounting regulations and procedures.

Organizations should develop a mechanism to incorporate relevant feedback from the various stakeholders into their internal control system. Manufacturing firms should develop and organize constant seminars and workshops to train and educate auditors and accountant on matters pertaining proper implementation of accounting policies and procedures to enhance their skills and expertise in their practice as professionals.

The study further recommends that the governing body, possibly supported by the audit committee, should ensure that the internal control system is periodically monitored and evaluated. The actual assessment can be executed by the organizations management. A staff person who is sufficiently independent from those responsible for the system, such as the internal auditor, could provide additional assurance on the effectiveness and cost efficiency of the internal control system.

5.5 Limitations of the Study

The study was focused on agro processing firms within Kisumu only while we have more agro processing firms in Kenya, therefore these findings may not be used for generalizations on all agro processing firms in Kenya. It is therefore, important for a study to be conducted using wider scope and coverage then, the findings can be compared and conclusions drawn.

5.6 Suggestions for Further Study

Due to the turbulent nature of the business environment a similar study should be conducted after a period of ten years in order to investigate whether there are any areas of commonalities or unique factors this is because the level of technology is very dynamic and keeps on changing.

It would be interesting to conduct a study on the variables and their implications on financial performance; this will shed more light on the appropriate model to choose when implementing better control systems that enhance financial performance of firms.

A study should also be done on the effects of each of the independent variables on the financial performance of agro processing firms.

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APPENDICES

A**PPENDIX I**

SECTION A

Background information of the respondents

1. Name

……. (Optional)

2. Education level

Primary level [ ] Secondary level [ ] Diploma level [ ] Degree level [ ] Masters level [ ]

3. How long have you worked in the agro-processing firm?

Below 1year [ ] 1-5 years [ ] 6 -10 years [ ] Over 10 years [ ]

4. How long have you been in the current organization?

Below 1year [ ] 1-5 years [ ] 6 -10 years [ ] Over 10 years [ ]

5. How long has your agro-processing firm been in operation?

Below 1year [ ] 1-5 years [ ] 6 -10 years [ ] Over 10 years [ ]

SECTION B

On a 5-point Likert scale, kindly indicate how much you agree with the following statements under each part: 1: Strongly Disagree 2: Disagree 3: Neutral 4: Agree 5: Strongly agree

Thank you for your time and corporation

Using the following table and the scale provided below, please tick on the statements which best describes your opinion of internal control environment in your organization.

Internal Control Environment	**1**	**2**	**3**	**4**	**5**
The organization has an accounting and financial management system					
Management is committed to the operation of the system					
Management closely monitors implementation of Internal control systems in our institution					
Management provides feedback to the junior officers about the operation of the system					
Appropriate measures are taken to correct errors in operation of the accounting and finance management system					
Management acts with a great degree of integrity in execution of their roles					
Management decisions uphold ethical values					
The organization has an objective, independent and active audit committee					
The board of governors and its committees are independent of Management					

Using the following table and the scale provided below, please tick on the following statements which best describe your opinion of risk management in your organization;

Risk Management	**1**	**2**	**3**	**4**	**5**
Management has defined appropriate objectives for the organization					
Management identifies risks that affect achievement of the objectives					
Management has a criteria for ascertainment of which fraud related risks to the organization are most critical					
Management has put in place mechanisms for mitigation of critical risks that may result from fraud					

Management provide assurance that the risks are being appropriately managed Assess ethics and values within the organization					
Unplanned and informal reviews of other areas of concern, including unacceptable levels of risk					

Using the following table and the scale provided below, please tick on the following statements which best describe your opinion of control activities in your organization;
Scale: (Strongly agree=5, agree=4, Neutral=3, Disagree=2, strongly Disagree=1)

Control Activities	**1**	**2**	**3**	**4**	**5**
Staff are trained to implement the accounting and financial management system					
Expenditure sealing are in place to exclude incurring expenditure in excess of allocated funds					
The company has clear segregation of duties for the various financial functions					
The company operations comply with the all set government policies					
Control activities has affected the organisation's revenue for the last five years					
Control activities has affected the organisation's operating costs for the last five years					
Control activities has affected the organisation's fees income for the last five years					

Using the following table and the scale provided below, please tick on the following statements which best describe your opinion of information and communication in your organization;

Information and communication	**1**	**2**	**3**	**4**	**5**
The company has well established information and communication channels					

The company utilizes suggestion boxes‟ for obtaining information that is sensitive and confidential for the effective management of the organization					
Whistle blowing in the company has been and continues to be an effective way to obtain critical and sensitive information necessary for curbing cases of fraudulent activities					
The company has developed effective policies and procedures on information and communication.					
The company policies on information and communications provide well established techniques and mechanisms to address non-compliance in financial matters.					

Using the following table and the scale provided below, please tick on the following statements which best describe your opinion of monitoring in your organization;
Scale: (Strongly agree=5, agree=4, Neutral=3, Disagree=2, strongly Disagree=1)

Monitoring	**1**	**2**	**3**	**4**	**5**
The company has a functional internal audit unit/department					
The timing of the audit in this company is appropriate					
The internal audit unit in the company has developed an internal audit manual that guides audit operations such as planning, implementation, monitoring, and evaluation.					
The audit is always completed on a timely basis.					

Using the following table and the scale provided below, please tick on the following statements which best describe your opinion of financial performance in your organization;

Scale: (Strongly agree=5, agree=4, Neutral=3, Disagree=2, strongly Disagree=1)

FINANCIAL PERFORMANCE	1	2	3	4	5
Profit for the last 7					

years (kshs Millions) has been realized					
Return on Asset increased					
Return on Investment increased					

LIST OF AGRO-PROCESSING FIRMS IN KISUMU

Jessa Trading Co Ltd

Kisumu Town Fish Youth Group

Fish Processors 2000 Ltd

Kavirondo Fishnets Sundry & Hardware Ltd

Kenya Marine & Fisheries Research Institute-Kisumu

Lakeside Fishing Flies Ltd

Modern Fishing Industries

Monasa Nets (Kenya) Ltd

Peche Foods

Wananchi Fishnet Importers

Webuye Wholesalers

W E Tilley Muthaiga Ltd

Kendag Ltd

United Millers Limited

Equator Bottlers Limited (EBL)

Maspa Enterprises Ltd

Kibos Sugar & Allied Industries Ltd

Miwani Sugar Co (1989) Ltd

Timsales Ltd

Lowlands Agricultural & Technical Service Ltd

Victoria Salt work

East African Breweries Limited

Muharata Food Company

Sansora Oil Mills Ltd

Chemelil Sugar Co LtD

Muhoroni Sugar Co.Ltd

Ahero Irrigation Scheme

Tawakal Women Group

Farm Africa

RAW DATA

Q 2	Q 3	Q 4	Q 5	Q 101	Q 102	Q 103	Q 104	Q 105	Q 106	Q 107	Q 109
4.00	4.00	3.00	2.00	4.00	4.00	4.00	4.00	3.00	2.00	5.00	5.00
4.00	3.00	3.00	2.00	1.00	4.00	4.00	3.00	3.00	2.00	3.00	2.00
4.00	2.00	2.00	2.00	2.00	3.00	2.00	2.00	2.00	2.00	3.00	3.00
5.00	2.00	2.00	2.00	2.00	1.00	1.00	1.00	2.00	2.00	2.00	1.00
3.00	3.00	3.00	3.00	2.00	3.00	1.00	2.00	1.00	2.00	3.00	4.00
3.00	3.00	3.00	3.00	4.00	5.00	4.00	5.00	4.00	5.00	1.00	5.00
3.00	4.00	3.00	2.00	3.00	4.00	5.00	5.00	5.00	5.00	4.00	5.00
2.00	1.00	1.00	1.00	4.00	5.00	5.00	4.00	5.00	4.00	5.00	4.00
2.00	3.00	2.00	1.00	3.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
3.00	2.00	2.00	2.00	5.00	5.00	5.00	5.00	5.00	4.00	4.00	4.00
4.00	4.00	4.00	4.00	1.00	1.00	1.00	4.00	1.00	1.00	1.00	1.00
5.00	3.00	2.00	2.00	1.00	1.00	1.00	2.00	1.00	3.00	3.00	5.00
4.00	1.00	1.00	1.00	5.00	5.00	5.00	5.00	5.00	5.00	1.00	4.00
4.00	2.00	2.00	2.00	1.00	1.00	1.00	2.00	1.00	3.00	1.00	2.00
4.00	4.00	4.00	4.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
4.00	3.00	2.00	2.00	1.00	1.00	1.00	1.00	1.00	2.00	2.00	2.00
4.00	3.00	2.00	2.00	4.00	4.00	3.00	2.00	3.00	4.00	4.00	5.00
3.00	2.00	2.00	2.00	2.00	3.00	1.00	2.00	2.00	4.00	5.00	1.00
4.00	2.00	2.00	2.00	4.00	4.00	4.00	3.00	2.00	2.00	5.00	1.00
3.00	2.00	2.00	2.00	1.00	4.00	2.00	1.00	1.00	5.00	5.00	1.00
4.00	1.00	1.00	1.00	2.00	1.00	2.00	2.00	2.00	2.00	3.00	3.00
2.00	2.00	2.00	2.00	4.00	5.00	4.00	5.00	4.00	5.00	4.00	5.00
2.00	3.00	3.00	3.00	3.00	4.00	4.00	5.00	4.00	4.00	3.00	3.00
2.00	4.00	4.00	4.00	1.00	4.00	1.00	1.00	1.00	1.00	1.00	4.00
3.00	4.00	4.00	4.00	1.00	5.00	4.00	5.00	4.00	4.00	4.00	5.00
2.00	1.00	1.00	1.00	1.00	4.00	5.00	5.00	3.00	3.00	3.00	5.00
2.00	4.00	4.00	4.00	5.00	5.00	4.00	4.00	1.00	5.00	5.00	4.00
2.00	3.00	3.00	3.00	1.00	5.00	5.00	4.00	5.00	5.00	5.00	4.00

3.00	3.00	3.00	3.00	5.00	4.00	2.00	2.00	5.00	5.00	5.00	2.00
4.00	2.00	2.00	2.00	5.00	4.00	3.00	3.00	5.00	5.00	5.00	3.00
5.00	2.00	2.00	2.00	1.00	1.00	4.00	2.00	1.00	1.00	1.00	2.00
4.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.00	2.00
4.00	2.00	2.00	2.00	4.00	3.00	3.00	1.00	4.00	1.00	4.00	1.00
4.00	2.00	2.00	2.00	1.00	2.00	1.00	2.00	2.00	3.00	2.00	1.00
3.00	2.00	2.00	2.00	4.00	5.00	4.00	5.00	4.00	1.00	1.00	5.00
3.00	2.00	2.00	2.00	1.00	2.00	1.00	2.00	1.00	2.00	3.00	4.00
2.00	2.00	2.00	2.00	4.00	5.00	5.00	4.00	4.00	1.00	1.00	4.00
3.00	2.00	2.00	2.00	3.00	5.00	3.00	1.00	3.00	3.00	3.00	1.00
4.00	1.00	1.00	1.00	4.00	4.00	4.00	4.00	3.00	2.00	5.00	5.00
4.00	2.00	2.00	2.00	1.00	4.00	4.00	3.00	3.00	2.00	3.00	2.00
3.00	2.00	2.00	2.00	2.00	3.00	2.00	2.00	2.00	2.00	3.00	3.00
4.00	2.00	2.00	2.00	2.00	1.00	1.00	1.00	2.00	2.00	2.00	1.00
3.00	2.00	2.00	2.00	2.00	3.00	1.00	2.00	1.00	2.00	3.00	4.00
4.00	2.00	2.00	2.00	4.00	5.00	4.00	5.00	4.00	5.00	1.00	5.00
2.00	1.00	1.00	1.00	3.00	4.00	5.00	5.00	5.00	5.00	4.00	5.00
3.00	3.00	3.00	3.00	4.00	5.00	5.00	4.00	5.00	4.00	5.00	4.00
4.00	3.00	3.00	3.00	3.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
3.00	3.00	3.00	3.00	5.00	5.00	5.00	5.00	5.00	4.00	4.00	4.00
4.00	4.00	4.00	4.00	1.00	1.00	1.00	4.00	1.00	1.00	1.00	1.00
5.00	4.00	4.00	4.00	1.00	1.00	1.00	2.00	1.00	3.00	3.00	5.00
4.00	4.00	4.00	4.00	5.00	5.00	5.00	5.00	5.00	5.00	1.00	4.00
3.00	3.00	3.00	3.00	1.00	1.00	1.00	2.00	1.00	3.00	1.00	2.00
4.00	4.00	4.00	4.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
3.00	3.00	3.00	3.00	1.00	1.00	1.00	1.00	1.00	2.00	2.00	2.00
4.00	4.00	4.00	4.00	4.00	4.00	3.00	2.00	3.00	4.00	4.00	5.00
2.00	2.00	2.00	2.00	2.00	3.00	1.00	2.00	2.00	4.00	5.00	1.00
3.00	4.00	4.00	4.00	4.00	4.00	4.00	33.00	2.00	2.00	5.00	1.00
4.00	2.00	2.00	2.00	1.00	4.00	2.00	1.00	1.00	5.00	5.00	1.00
5.00	4.00	4.00	4.00	2.00	1.00	2.00	2.00	2.00	2.00	3.00	3.00
3.00	1.00	1.00	1.00	4.00	5.00	4.00	5.00	4.00	5.00	4.00	5.00

3.00	4.00	4.00	4.00	3.00	4.00	4.00	5.00	4.00	4.00	3.00	3.00
3.00	1.00	1.00	1.00	5.00	1.00	4.00	4.00	1.00	5.00	5.00	4.00
4.00	4.00	4.00	4.00	4.00	2.00	4.00	5.00	1.00	4.00	4.00	5.00
4.00	1.00	1.00	1.00	2.00	4.00	5.00	4.00	5.00	5.00	5.00	4.00
2.00	4.00	4.00	4.00	2.00	1.00	2.00	1.00	2.00	1.00	2.00	1.00
3.00	3.00	3.00	3.00	5.00	2.00	5.00	5.00	5.00	5.00	5.00	5.00
2.00	2.00	2.00	2.00	2.00	5.00	4.00	5.00	2.00	2.00	2.00	5.00