

**IMPACT OF INTERNAL CONTROL SYSTEMS ON FINANCIAL
GROWTH OF SAVINGS AND CREDIT COPERATIVES SOCIETIES
IN NAIROBI COUNTY
(A CASE OF NAIROBI SACCOS)**



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ABSTRACT

The research brings out the clear picture on the benefits of developing internal controls in running of SACCO's in Nairobi County. The effect of this is greater competition for all firms, need for innovation, more customer driven products, service offerings and greater capacity of the organization to learn and adapt to changes as well as safeguarding business resources in order for the organization to meet its objective, promote economy, effectiveness and efficiency. The internal controls as mechanism, policies and procedures are used to minimize, control and control operational risks. Weak internal control systems allow for errors and unintentional mistakes and fraud. The study was to analyze internal control systems and its impact on financial performance of Sacco's in Nairobi County through; establishing the existence and type of internal control system in the SACCOs within the county; to analyze the existence and implementation as well as the effect of internal control systems on the growth of these SACCOs. The other factor was the determination of the challenges faced by Nairobi Sacco's in applying the use of internal control system. The target population was based on SACCOs that are clustered in accordance with geographical location, capital invested and number of members in each Sacco, the target population therefore was 1500 SACCOs and the study was carried on 21 SACCOs. The study made use of probability and non -probability sampling technique, cluster sampling method, simple random sampling and purposive sampling. This study has established that internal control system is an essential tool for any organization wishing to perform well as all organization would. This study has also established that Sacco's with internal control system tend to perform well as compared to those without. Internal control therefore should be embraced by all Sacco's to enhance their operational performance.