

**Internal Control System and Financial Performance of Listed Deposit Money Banks in
Nigeria**

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Certification

This is to certify that this Thesis was carried out by Atoro Mojeed Owolabi with Matric Number LCU/PG/001264 of the Department of Management and Accounting, Faculty of Management and Social Sciences, Lead City University, Ibadan and that this work has not been previously submitted.

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Dedication

This research work is specially dedicated to Almighty God in Heaven, the source and the strength with which I have been able to pull through the challenges that came with this research work.

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Even though the above mentioned institutions and persons have assisted in the process of this research work, I alone stand responsible for the errors, if any, found in the work.

Abstract

The study investigated and established the relationship between internal control systems and financial performance of listed deposit money banks in Nigeria. The objective of the study was to examine the impact of control environment, evaluate the level of risk assessment, determine the control activities and monitoring were used as proxy for internal control systems with return on equity as the measures of financial performance. The study was conducted using descriptive statistics and regression analysis for all listed DMB in Nigeria in 2021. Fifteen of the banks were randomly selected, data were collected using a structured questionnaire. Two hundred questionnaire were rolled out, twenty questionnaire were not returned while one hundred and eighty questionnaire were used for the data analysis. Descriptive statistics obtained from data analysis were presented using frequency tables. While inferential data findings were presented using OLS regression tables. It was discovered that control environment, control activities and monitoring exert a significant positive influence on the listed deposit money banks in Nigeria. Management should improve and work hard on the risk assessment that shows negative coefficient. The study recommends banks should effectively implement and maintain internal controls due to the nature of the riskiness of the banking sector and its impact on financial performance.

Keywords: Internal control, Financial performance, Deposit money banks, Control environment, Risk assessment, Control activities, Monitoring, Nigeria.

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Chapter One

Introduction

1.1 Background to the Study

The emergence of global technological improvement, digitalization and business expansion has made the Finance sector to be the leading and most important operator in every sector of any economy the last twenty years or more. Financial brands in terms of services and products is ever increasing, transactions within economy are now expanding across national borders, including introduction of different financial operations and market are few of the consequence of the finance sectors expansions. These positive advancements have bring about increase in risk exposure and diversification which banking sector have to device an effective and efficient means to manage and control. Banking system in Nigeria is stunned with high level of poor management of liquidity which made the Central Bank of Nigeria (CBN) to initiate a recapitalization of banks then from minimum capital base of two million naira to twenty five million naira, still there has been little or no significant (positive) changes to the subsisting poor management of liquidity.

Poor risk management and deficient control measures of these risks has head to global financial losses and other disasters in the sector. The immediate local financial and

financial crises are easily spread within a short period across the globe through digitalization.

If a banks wish to be successful, function accordingly and wants its impact to be positively contribute to the economic advancement development of its place of residence and operation, the finance sector must be financially stable, safe from threat its environment and excellent in controls measures. In order to meet-up with these requirements, a good accounting system and effective internal control are necessities that must be in place.

An effective internal control is an essential ingredient require for effective operations of every banks. Many banks around the globe have lost, failed and ceased operation as a result of weak and, or ineffective internal control.

The financial crisis in most economy around the world underlined the significance of well-managed, effective and viable banking sector for world-wide macro and a large-scale stability¹⁰. One of many reasons why bank fails and resulting to huge financial loss and, at times, insolvency is as a result of high risks undertaken by most management of the bank on a disproportionate scale and inability of the management to control these investment undertakings. The deficiency in the internal control system that should have guide against the possible risks and keep same within control, is itself a self-threat to the success of the finance sector.

The International Monetary Fund (IMF) explained internal control as lasting measures established to control and monitor the activities of the entity¹¹. A major determinant of an effective and efficient internal control includes a well-structured accounting and management information system. Internal control process drives a company towards realizing its set goals such as effectiveness and functioning efficiency, reliable financial records and financial statements well as willingly complying with set of rules and regulations⁸. The internal control is essential because of it is often impacted by the company's administrators and personnel and is designed to mitigate against the risks and to make available reasonable assurance that will sustain the quest of the organization's mission¹³.

Financial records and reporting depends largely on valuable internal control implementation, assessment, and monitoring. Internal controls identify and reduce or prevent financial manipulations of any form, reduce the risk that may likely resulted from errors, and guide against other business operational risks¹⁵.

Internal control system ensure strict compliance with rules and regulations which assures improvement in the reliability of financial accounting records and reporting. Internal control system engineers the attainment of the institution's ultimate goals. A sound internal control system should provide the platform for recording and processing financial information and transactions in a manner that becomes a ground for preparing the financial statement. An efficient internal control system involves transparency, definition and segregation of duties for various employees or groups within a company.

The financial sector can preempt future problems that may account for financial losses may be prevented or minimized through an effective internal control system. Certain previous studies identified that bank failures and financial crisis and losses may be prevented putting in place, mainly, an efficient and effective internal control system.

The model with scope that covers every element contained in internal control is use as a major guideline for other many regulatory in Turkey and globally. ²

The purpose of internal control in financial institutions generally and for money deposit banks is ensuring compliance with laid down banking guidelines, practices and operations which are consistent with International Auditing Standards (IAS), financial regulations and rules to solve problems that may arise where necessary. In addition to this, with an effective internal control system, erroneous, fraudulent transactions and irregularities are less likely to happen in banking Sector²⁰

Internal control can be further defined as a system put in place by the company's board, management and other line personnel to afford a valuable guarantee that will support achievement of aims and objectives in effectiveness and efficiency of operations, dependability of financial statement and reporting and compliance with relevant rules and regulations⁸.

This definition affirms that internal controls serves as a measure of extent of activities required to be performed by the professionals that must perform the task because such actions are expected to safeguard the entity's assets and capital, ensure asset's management efficiency and effectiveness and continuous accuracy of financial

information and records. Even though the system cannot completely remove possibility of errors, deliberate manipulations and irregularities, internal control will prompt the board of directors and managements of potential problems. Such unforeseen issues can be which can be regulated, prior to resulting into a bigger problems⁷.

Where the essential elements of internal control system are constant and working as expected, then the internal control system shall be effective for the intended operations, financial recording, reporting and extent of compliance. The audit committee, which is answerable to the shareholders and the company's board of directors must be sure that the organization's Internal Control System is not only in place, but must be appropriate and capable of achieving smooth operations. The board of directors and the audit committee the extent of work schedule that are to be under the internal control, personnel to be in charge and their extent of independence. For internal control purpose, both internal and external auditors play relevant roles which ensure independence in advising the management and directors to whom they reported. In this regard, internal control system needs regular appraisal and revision in order to build and rebuild the confidence in the system's efficiency and effectiveness acclaimed.²¹

A report on interactions with some management leadership in some organization concluded that lots of the management and directors are neither aware of, nor understand the risks their action expose the business to⁴.

Internal control in management considered as an integral process comprising different action plans a series of actions that guides series of activities within an organization.

Internal controls has its behavioral impact on the organization's management and staff. It is, most of the time, established to identify risk areas, address risks and to give some assurance that to some extent, certain specific and general qualitative goals of an entity are realistic and achievable. Such objectives include but not limited to:

- (i) Compliance with the organization's set of rules and regulations
- (ii) Protecting the organization's assets and resources against misappropriation and loss
- (iii) Ensure accountability and stewardship functions

In view of the above, it is expected of management to provide a basis that will allow for a system that will appreciate and understand internal control components. The actions and principles here may involve conducting a pretest of the controls, while responsible staff (for instance an auditor) wanting a positive evidence the controls in place are measured with the outcomes such as correction of errors and mistakes.

The International Federation of Accountants (IFAC) in one of the its reports, identified that some companies in the past only redirect their concentrated on internal controls for financial recording not until they found themselves in a more serious financial crises. Considering that certain variables, either internal or otherwise. These variables, especially those arising from the external environment, are mostly of the time out of the control of the company, thus require to be in place, a more effective risk control and management and control measures which are responsibility of management the organization requires not only to be in place, but also to influence and reduce the potential and actual risks¹¹.

A breakdown in the internal control system in any organization will weaken the system and lead to failure of the once trusted process¹⁸. Most bank liquidations have been traced to management frauds, this is evidenced in a study in the United State of America (USA) crashes grew to two hundred percentile in the 1980s as a result of fraud and mismanagement¹⁷. Year 2014 witnessed failure of about fourteen United States banks compared to 2013, for same period, with just 16 (sixteen) bank failure recorded¹⁸. Further survey confirmed an increase in requesting for a reliable and effective internal control system and risk management in the financial sector as an outcome of losses and failures of banks in the past two decades throughout the world⁶.

1.2 Statement of the Problem

Designing and implementation of proper internal controls will always lead to improved financial performance. Weak internal control systems have been known to be perfect fertile ground for perpetration of fraud and scandals¹⁹. Such was the case for financial scandals of this decade witnessed at Enron and WorldCom. The response to this scandals has resulted in bringing into the law the "Public Company Accounting Reform and Investor Protecting Act" commonly known as the "Sarbanes-Oxley Act (SOX Act)". The Sarbanes-Oxley Act stipulates clearly that the management should take full responsibility for internal control system over financial reporting within the company and provide assessment of its effectiveness. The Board of directors ought to supervise the management of an entity, but it has always turned out that the Board merely implements recommendations made by the management committee of an entity¹⁶. This in fact is

possible due to information asymmetry existing between the managers and the Board of Directors.

The Agency theory stipulates that the principals and the agents use contracting to maximize their wealth¹¹. However, the agents may face a dilemma of acting against the interest of their principals in an effort to maximize their own wealth. Internal control should be used as a safety net to address this agency problem¹⁵. In the same light, studies have shown that Internal Controls reduce agency costs¹ and this has a positive effect on the financial performance of a business. However, they have not been given the prominence they deserve other than as a regulatory and social accountability requirement.

The researched of the effectiveness of internal controls on banks in Ghana and only interrogated two components of internal control; control environment and monitoring⁵. In Palestine, a study of the impact of internal controls and risk management on banks was carried out⁵, with a further study on the effect the effects of internal controls on Savings and Credit Cooperative Societies in Kenya. Effect of financial performance of manufacturing firms in Kenya was also examined¹⁵. A study on the relationship of internal control activities and financial performance on tertiary institutions in Nigeria was conducted⁸. Examination of the effect of internal control system in Nigeria public sector using the Nigeria National Petroleum Corporation as a case study was conducted.²

All the studies and researches, conclude that none of these surveys actually align or address Internal Control and Financial Performance of Listed Deposit Money Banks, taking Nigeria as a case study.

This research is considering providing solution to such views as “what is the Impact of Internal Control System on the Financial Performance of Deposit Money Banks in Nigeria?” To this end, this study will be carried out to establish the possible impact and relationship between internal control and financial performance of listed deposit money banks in Nigeria. Internal controls affect financial performance by guiding against risk, limiting errors and preventing or reducing and would result to reduction in material misstatements, encouraging efficiency and effectiveness of quality of work, ensuring misstatements, encouraging efficiency and effectiveness of quality of work, ensuring timely availability of reliable of relevant and appropriate information for management information need, and ensuring compliance to ethics of work, rules, standards and regulations in the finance sector of the economy.

1.3 Aim and Objective of the Study

The primary objective of this research is to examine the impact of internal control on the financial performance of Listed Deposit Money Banks operating within Nigeria. The other Specific objectives of the study include:

- i examine the impact of Control Environment on the financial performance of listed Deposit Money Banks in Nigeria.
- ii evaluate the effect of a level of Risk assessment and control activities on the financial performance of listed Deposit Money Banks in Nigeria.

- iii determine the Monitoring put in place on the financial performance of listed Deposit Money Banks in Nigeria.

1.4 Research Questions

The following research question will be used to form the research hypothesis and they are:

- i What is the impact of control environment on the financial performance of Deposit Money Banks in Nigeria.
- ii Does the level of risk assessment enhance the financial performance of Deposit Money Banks in Nigeria.
- iii How often does the Control activities and Monitoring put in place enhance the financial Performance of Deposit Money Banks in Nigeria.

1.5 Hypotheses

To achieve the aforementioned objectives, the following hypotheses were formulated.

- i **H₀1:** Control Environment have no significant effect on the financial performance of Listed Deposit Money Banks in Nigeria.
- ii. **H₀2:** There is no significant effect of the level of Risk assessment on the financial performance of Listed Deposit Money Banks in Nigeria.
- iii. **H₀3:** The Control activities and Monitoring put in place have no significant on the financial performance of Listed Deposit Money Banks in Nigeria.

1.6 Significance of the Study

The study will be beneficial to operators in the banking sectors, they would have more insight into the various sources of weak internal control and work on them to achieve better result.

The study will be an aid to existing and potential users including, but not limited to financial sectors board of directors, the management team who are responsible for the strategic and tactical running the and who must set the internal control system for the organization. Also, the equity holders of a company will find this study more valuable because it shall provide reasonable assurance that their investment in the organization, particularly banks, is safe from fraud and financial losses.

1.7 Scope of the Study

The study focus is to accesses the impact of internal control system on the financial performance of deposit money banks in Nigeria. There are 22 banks listed in the Nigeria Stock Exchange as at 31st December 2018. The study only covers 15 banks.

1.8 Limitation of the Study

Secondary source of data collection proved inappropriate; questionnaire given out receives

less cooperation from the respondents. Also, the time required for this study was impacted

by the time for official works.

1.9 Definition of Terms

Internal Audit: This is an independent appraisal of all roles and performance within an organization for the review of all accounting, financial and other operations as basic for service to management

Internal Check: Is a process of ensuring that no single transaction is carryout from start to completion by one person in other to detect errors and irregularities at its early stage.

Internal Control: Is the whole techniques put in place by management to coordinate, measure the activities of the organization in other to safe guard it assets, maintain reliable of accounting information thereby enhance efficiency and equally encourage conformity to managerial plan and policies.

Internal Auditor: is an employee of any organization or enterprise is to review and ensure compliance to accounting ethics or rules and regulations.

Management Control: These are controls outside the day to day routine of the control system

Financial Performance: it refers to the ability to operate efficiently, profitability, survive grow and react to the environment opportunities and threat.

Internal Check Mechanism: This is the process or method adopted be the management in trying to achieve effective internal control system.

Segregation of duties: This is done to ensure that no single individual is responsible for all

aspects of the transactions from the beginning to the end. This is fundamental to a good internal control system. The involvement of more individual reduces the risk of accidental error or deliberate fraud.

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Chapter Two

Literature Review

2.1 Conceptual Review

2.1.1 Concept of Internal Control

The existence of internal control system in an organization cannot be over emphasized, due to its role in the operational efficiency of the organization. It involves devising rules, procedures, methods and techniques to guide operations in the organization. Internal control is not only internal check or internal audit, but the whole system of controls, financial and otherwise, established by the management in order to carry on the business of the enterprise in an orderly and efficient manner, ensure adherence to management

policies, safeguard the assets and secure as far as possible the completeness and accuracy of the records.³⁷

The process created by an entity's structure, flow of authority and activity, personnel and management information systems and structured to assist the entity's goals is described as Internal control System. The process, structure, flows and information are basic features of this definition and from this definition, the goal of every internal control system shall to achieve the entity's objectives⁴¹.

Internal controls are procedures which ensure that all transactions, assets and liabilities are recorded correctly. Internal control is to achieve the following objectives³⁸:

- (i) Carrying on business of the company in an orderly and efficient manner,
- (ii) To ensure adherence to management policies,
- (iii) To safeguard assets, and
- (iv) Ensure completeness and accuracy of records.

Furthermore, internal control is established to classified into different types which include: detective internal controls, corrective internal controls, directive internal controls and compensating internal controls. The detective controls include measures which are target at establishing and discovering irregularities like misappropriations, errors, and where possible, frauds. These type of controls are essential and cannot be undermined by management. Post audits, validation and exceptional reporting are good examples through which detective controls are implemented. A good detective control provide evidence that a loss has been occurred and sustained without prevention for the occurrence of the loss. Various ways of carrying out detective controls are through a thorough reviews of records and third party documents, analyzing differences into causes, reconciliations of

records with ledger balances, physical counting of inventory and regular continuous audit. The Preventive internal control specific and general measures identified by management to prevent act of noncompliance and to serve as a deterrence to the users. Preventive controls includes directives, policies, guidelines, process and procedures. Risks identified with errors, unintentional mistakes and organized deliberate mistake (that is frauds) are the challenges intended to be corrected and prevented by preventive controls. At times, preventive controls are identified with segregation of duties, proper authorization and approval of every transactions, documentation and verification of assets and liabilities resulted from every transaction. While corrective internal controls are measures that seek to providing solutions to unforeseen and other regular problems that might occur within the system, directive controls are procedures and policies established by the board with the view to promoting and enhancing compliance the organization rules and regulations⁴¹.

A sound internal control system should provide the platform for recording and processing financial information and transactions in a manner that becomes a ground for preparing the financial statement. An efficient internal control system involves transparency, definition and segregation of duties for various employees or groups within a company. The intent of separating the duties is to protect against fraud, waste, abuse and mismanagement of resources. Effective internal control helps to assure the accuracy of reports to management and the various supervising bodies (in the case of banks).

Internal control is made up of internal checks, internal audit, accounting controls and other forms of control such as budgetary and physical control while the primary

responsibility for the maintenance of the effective internal control rest with the management of any enterprise³⁵. Management responsibilities are normally discharged by:

- (1) Installation of an effective accounting system;
- (2) Ensuring that employees understand relevant codes of conduct.
- (3) Monitoring relevant legal requirements and ensuring that operating procedures and conditions meet these requirements.
- (4) The establishment of an independent Internal audit function, and
- (5) The appointment of an audit committee where appropriate.

The process created by an entity's structure, flow of authority and activity, personnel and management information systems and structured to assist the entity's goals is described as Internal control System. Internal control is adopted in directing, monitoring and measuring the resources of an organization. The system serves as prevention and prevention of fraud, protection of all forms company's assets and other resources. Internal control goals are center around reliability of financial records and compliance with the set procedures, rules and regulations when related to the organization. When refer to transactions, the internal control objectives shall be to ascertain that payment to third parties are for valid service for value. A system of effective internal control will ensure that both specific organization and transaction internal control objectives are measurable and achievable and that the entity's short and long term corporate goals are met and at the same time, ensure reduction to unforeseen losses of the bank's reputation⁴¹.

Internal control is made up of internal checks, internal audit, accounting controls and other forms of control such as budgetary and physical control while the primary

responsibility for the maintenance of the effective internal control rest with the management of any enterprise³⁵. A system of effective internal controls is a critical component of

bank management and a foundation for the safe and sound operation of banking

organizations. A system of strong internal controls can help to ensure that the goals and

objectives of a banking organization will be met, that the bank will achieve long-term

profitability targets, and maintain reliable financial and managerial reporting. Such a

system can also help to ensure that the bank will comply with laws and regulations as

well as policies, plans, internal rules and procedures, and decrease the risk of unexpected

losses or damage to the bank's reputation. The paper describes the essential elements of a

sound internal control system, drawing upon experience in member countries and

principles established in earlier publications by the Committee. The objective of the

paper is to outline a number of principles for use by supervisory authorities when

evaluating banks' internal control systems.

The Theory and Practice of Auditing further explained Internal control as strategies, actions, actions and structures employed to offer realistic guarantee that an entity's objectives will be achieved and prevents undesired risk and timely detection of errors, mistakes or fraud³⁸. Internal control can be an effective measure that many companies

and banks adopt to ensure correctness in information provided for both internal and external consumption. Internal control guarantee timely and accurate availability of information. When an organization publishes and presents its annual report, it is the summarized form of how it performs throughout a quarter or year. The data revealed becomes one of the most important factors in setting up corporate collaborations that potential investors and stakeholders seek interest in. If the information provided is incorrect or misleading, the stakeholders feel cheated, which ultimately affects the organization's reputation. Internal control locus includes principles, procedures, and policies that specify a set of manual labors or instructions to identify the loopholes and rectify them before it is used for decision making either by stakeholders or the companies themselves

Internal control is a system or process established by a company's board of directors, management and other personnel with the view to providing a guaranteed and certain level of reasonable assurance that guarantee timely, accurate and reliable information, compliance with all and applicable regulations, laws, policies and standard procedures and reliable financial reporting statement.

An effective internal control system place focus on the need to preventing occurrence frauds, errors and misappropriation. It discovers potential and actual problems and proposed a relevant and corrective actions. Usually in practice, the process owners within an organization and departments are responsible for performance of the controls and relate with the control structure from time to time. This recurring exercise most of the time, unintentionally becomes controls which are incorporated into the system.

Control definition reflects certain fundamental concepts:

- Internal control is a process. It is a means to an end, not an end in itself.
- Internal control is effected by people. It is not merely policy manuals and forms, but also people at every level of an organization.
- Internal control can be expected to provide only reasonable, not absolute, assurance to an entity's management and board.

Internal controls are established to further strengthen:

- The reliability and integrity of information
- Compliance with policies, plans, procedures, laws and regulations
- The safeguarding of assets
- The economical and efficient use of resources
- The accomplishment of established objectives and goals for operations or programs

Internal control is the whole system of controls, financial or otherwise, established by management in order to carry on the business of an enterprise in an orderly and efficient manner, ensure adherence to management policies, safeguard the assets and secure as far as possible, the completeness and accuracy of the records³¹.

Internal control is described as actions of an organization design to guide against wastes, errors, mistakes, frauds, inefficiencies and losses. It also to protect the organization's

resources, ensure accuracy of records, reliability in accounting inputs, ensure compliance with policies and evaluation performance with the standard guidelines for performance in all the divisions of the organizations³⁵. International Standard on Auditing (ISA 315) defines Internal Control as the process designed, implemented and maintained by those charged with governance, management and other personnel to provide reasonable assurance about the achievement of an entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations³⁰. The term "controls" refers to any aspects of one or more of the components of internal control. Also, International standard on auditing (ISA 400); the term "internal control system" means all the policies and procedures (internal controls) adopted by the management of an entity to assist in achieving management's objective of ensuring, as far as practicable, the orderly and efficient conduct of its business, including adherence to management policies, the safeguarding of assets, the prevention and detection of fraud and error, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information³⁰. COSO defines internal control as the process affected by an entity's board of directors, management and other personnel, designed to provide reasonable assurances regarding the achievement of objectives in the following categories³¹:

- (i) Effectiveness and efficiency of operation, which is basic business objectives, performance profitability, goals and safeguarding of resources.
- (ii) Reliability of financial reporting with internal reports for decision making and published financial statement compliance with applicable laws and,

- (ii) Regulation to which the organization used.

International Standard on Auditing (ISA 315) defines Internal Control as the process designed, implemented and maintained by those charged with governance, management and other personnel to provide reasonable assurance about the achievement of an entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations³⁰

Internal Control was popularly explained as the whole system of controls, financial or otherwise established by management in order to carry out the business of an enterprise in orderly and efficient manner, ensure adherence to management policies, safeguard the assets and secure as far as possible the completeness and accuracy of records³³. This is, indeed, all encompassing interpretation to the meaning of internal control.

2.1.2 Components of Internal Control

A system of Internal Control, which is characterized by efficiency and effectiveness, must contain the following components³⁰:

- (1) Control Environment
- (2) Risk Assessment
- (3) Control Activities
- (4) Information and Communication
- (5) Monitoring

2.1.2.1 Control Environment: The control environment element of internal control consist of actions, policies and procedures that reflect overall attitudes of top-level management, directors, owners of an entity about internal control and its importance to the entity about internal control and its importance t the entity it influences the control consciousness of the people. Its factors include; integrity, ethical values, committee, operational style, organizational structure, assignment of authority and responsibility.

In every business entity, the major element of an effective administration of a control environment include a demonstration of commitment to integrity and ethical values. The significant of the board of directors, the organizational structure, development of skills, commitment to personnel performance evaluation, authorization, and clearly defined responsibilities support effective policies in an organization. Management must pledge its full assistant to support a business control environment and culture for internal control to yield positive entity performance. That is, it is a full responsibility of management to put a standard structure in place for an organization. The control environment is a representation of the concerted management efforts relevant to providing discipline and measures that will enhance internal control of a company's activities³⁰.

The control environment consists of the following components:

(a) Communication and Implementation of Integrity and Ethical Values.

The integrity and ethical value of those that establish, manages and monitor the internal control system is expected to be above the effectiveness of controls established, managed and controlled. In essence, the effectiveness of the control can never be above the people's integrity and values. Company's ethical behavior, standards and it's integrity produce integrity and ethical behavior in people operating the system, including

communication and practical reinforcement. There certain management actions that tends that guides against encouragement and enforcement or enticement that may result in act of dishonest, unlawful and perhaps, unethical. Organization communicates it's integrity policies and ethical values by issuing to every employees, the organization's policy statements and codes of conducts³⁰.

(b) Commitment to competence. This describes the essential and required facts, skills and acquaintance and skills relevant for accomplishing the task in the individual job's schedule.

(c) Participation by those Responsible for Authority and Control (i.e Governance).

An organization's control perception may be revised those charged with administration. This opportunity is usually stated in the company's policy statements and other policy guidelines. Other functions for these set of people may include designing procedures for whistle blowing where necessary and reviewing the process that guarantee an effective internal control system³⁰.

(d) Management's Attitude and Style Operation. Management's attitude and style of operation is characterized with come features such as management's actions regarding financial reporting which may be selected from other accounting principles with which accounting entries are carried out.

(e) Structure of the Organization. This involves considering the major scope of responsibility and lines of action and operational boundaries. A suitable organization

structure is a function of the company's size and the nature of the entity's business.

(f) Assigning of Authority and Responsibility. This involves identifying the relevant business practices, required skills, experience and knowledge of personnel responsible for performing the required and specific tasks. The entity may design and communicate policy that requires all every personnel to demonstrate awareness of organization's corporate goals and appreciate where their actions contribute to the realization this goal and to what extent they shall be held accountable³⁰.

(g) Standard Human Resource Policies and Practices. Standard human resource policies and practices shall include information on the organization's minimum standard for hiring appropriate, suitable and qualified personnel with consideration for educational qualification and background, relevant work experience, evidence of relevant professional and skills and training and presentation of credible referees and guarantors. Management may design a policy that are committed to hiring competent and trustworthy personnel and adequate training that will explain the level of performance expected from such personnel including performance evaluations and rewarding method for employees that performs exceedingly.

Auditors are expected to obtain an understanding of the control environment. As part of obtaining this understanding, the auditor shall evaluate whether:

(i) Management, with the oversight of those charged with governance, has created and

- maintained a culture of honesty and ethical behavior; and
- (ii) The strengths in the control environment elements collectively provide an appropriate foundation for the other components of internal control, and whether those other components are not undermined by deficiencies in the control environment³⁰.

2.1.2.2 Risk Assessment: Every industry is prone to risk whether small or big. Identifying and analyzing risk factor, evaluating the likelihood of its occurrence is a component of an effective internal control system. Where management assess and respond to risk, the auditor will typically accumulate less evidence than when management fails to identify and respond to significant risk. The auditor shall perform risk assessment procedures to provide a basis for the identification and assessment of risks of material misstatement at the financial statement and assertion levels. Risk assessment procedures by themselves, however, do not provide sufficient appropriate audit evidence on which to base the audit opinion¹¹. Risk is also a factor in business entity's development process. Therefore, internal control is a measure put in place to determining possible risks and guiding against their occurrence.

2.1.2.3 Control Activities: Are the policies and procedures that help ensure that management directives are carried out. Control activities, whether within IT or manual systems, have various objectives and are applied at various organizational and functional levels. There are different kinds of organizational control for audit of financial statements and they are: performance review, information processing controls, physical controls, adequate authorization of transactions and activities, and segregation of duties⁶¹.

2.1.2.4 Information and Communication: This component is meant to initiate records, process and report the entities transactions and maintain accountability to related assets. Existence, completeness, accuracy, timing, classification, posting and summarization are transactions related audit objectives.

2.1.2.5 Monitoring: Management ongoing and periodic assessment of quality of internal control performance to determine whether controls are operating as intended and decide to modify where and when necessary. Where any of the above components is lacking the internal control will not be effective and so expose the banking industry to the risk of frauds. From the above, the aim of internal control therefore are: to safeguard the assets of the enterprises from misuse, error, theft or waste, to ensure the accuracy and reliability of accounting records, to ensure orderly conduct of the business and to obtain adherences to laid down managerial policies and procedures³⁸.

2.1.2 Objectives of Internal Control

Internal control is essential feature of any organization that is run efficiently. However, it is established to achieve specific objectives, prominent among these are summarized and discussed below⁴⁹:

- Safeguarding of assets
 - Prevention and detection of errors and irregularities
 - Reliability of accounting records
 - Ensure adherence to management policies
 - Profitability and minimization of cost

In view of the above, it is expected of management to provide a basis that will allow for a system that will appreciate and understand internal control components. The actions and principles here may involve conducting a pretest of the controls, while responsible staff (for instance an auditor) wanting a positive evidence the controls in place are measured with the outcomes such as correction of errors and mistakes.

a. Safeguarding of Assets: Allowing assets to be broken, lost or stolen is unacceptable and procedures are always devised to safeguard them, hence, the primary objective of internal control system is to, safeguard the assets from fraud and theft such as under billing of customer, overpayment of suppliers and physical loss⁷³.

b. Prevention and Detection of Errors and irregularities:

Internal control system is designed in a way as to discourage any element of fraud and fraudulent activities. This does not mean that the possibility of errors and fraud is eliminated. Rather with sound internal control system the chances are very minimal. Also, with proper internal control system errors and regularities are detected before long⁴⁹.

c. Reliability of Accounting Records: Clearly the converse is unacceptable in any business as both internal and external auditor's report cannot be accurate if the financial statement are not free from distortion, manipulation, defalcation and teeming and lading. Thus, the reliability of accounting records to both internal and external auditors cannot be over emphasized⁴⁹.

- d. Ensure Adherence to Management Policies:** Delegated responsibility flows from the top-level management down to the subordinates making it possible to share the organization's corporate operation into units of operation. Hence, dining every function and make sure they are discharged as planed so as to achieve the organization's goals⁷³.
- e. Profitability and Minimization of Unnecessary Cost:** Sound and adequate internal control system enables an organization to minimize unnecessary cost. This is normally achieved through guiding against unauthorized expenditure and hence, it will make it possible to the organization to achieve cost reduction of every risks to be undertaken⁴⁹.

2.1.3 Role of Internal Audit

Internal auditors look at how organizations are managing their risks. The auditors review the records of transactions to establish that they comply and consistent with the internal control processes and standards of reporting. They provide the Audit Committee and the board of directors with information about whether risks have been identified, and how well they are being managed.

The responsibility to manage risk always resides with management. Internal Audit's role is to identify potential problem areas; and⁴⁴

1. Recommends how risk management and controls for internal operations can be improved upon.
2. Information evaluation and examination – this involves examination of financial and non-financial information to allow for a continuous audit of the organization's operation as the auditors examines every area of the audit.

3. Expresses opinion whether the entities internal control on procedures and policies to guide against any business risk are actually consistent with actual operational process.

These exercise, in order to achieve this function, will include:

- Reviewing policy making and process for procedures.
- Assessing how adequate are guidelines issued the staff and management as standard for execution of their functions.
- Assessing organizational structures, suitability of personnel and supervisory procedures available in the company.
- Documenting and ascertaining the accounting process and procedures with the view safeguarding assets and properties against losses and sustaining business interest of the business owners and inflows for revenue sources.
- Establishing controls with the view to ensuring quality of information regarding appropriateness, relevance, error-free, timeliness, reliability and integrity.
- Regularly reviewing the controls in place in order to establish whether value for money has been derived from contracts commissioned to third parties and relating to the economy, efficiency and effectiveness of operations.
- Review of consistent and compliance with relevant standards and regulations.

Internal audit can have other roles which includes whistle blowing in the area of money laundering or insider transactions creating conflict of interest, review of and advice in connection with the development of information systems. Audit standards required an

auditor not to be involved in designing internal controls and system in order to strengthen the auditors independence.

The internal audit's primary objectives in understanding and making a the necessary assessment and evaluation of the internal control should be established ahead of operational periods. The internal audit may aim at providing relevant assistant to the organization and involve in designing an effective audit procedures that will enable an informed opinion on the effectiveness of the internal controls put in place in the organization. The internal audit will majorly concentrate on those controls that are impact on the audit objective. The internal audit, based on the evidence and proofs obtained, forma an opinion and gives judgement on the extent a control or set of controls is/ are relevant. Ultimately, the internal auditor will give consideration and attention to the most significant and key controls⁴⁹.

2.1.4 Limitations of Internal Control System

All internal controls no matter how sophisticated or elaborate cannot by itself guarantee efficient administration, completeness and accuracy of the records nor can it be a proof against fraudulent practices of indigenous staff. Internal control in a financial statement Audit, identifies the following inherent limitations that explain why internal control, no matter how well designed and operated, can provide only reasonable assurance regarding achievement of an entity's control objectives.

Mistake in Judgement: Occasionally, management and other personnel may exercise poor judgment in making business decisions or in performing routine duties because of inadequate information, time constraints, or other procedures.

Breakdowns: Breakdowns in established control may occur when personnel misunderstand instructions or make errors owing to carelessness, distractions or fatigue. Temporary or permanent changes in personnel or in systems or procedures may also contribute to breakdowns.

Staff Collusions: This means that internal control system which depends on segregation of duties for its efficient operations can be rendered ineffective by the collusions of staff performing complementary functions.

Management Overriding Established Control: This happens when members of the management by virtue of their office refuse to submit themselves to control procedures put in place for the smooth operations of the organization. For example, management refuse to be subjected to security checks be gatekeepers. Such actions are emulated by officers immediately below the management and before you know it, the control is bastardized and rendered ineffective as only low cadre staff is subjected to it.

Cost versus Benefits: The cost of an organization's internal control should not exceed the benefits that are expected to ensue because precise measurement of both cost and

benefits usually is not possible, management must make both quantitative and qualitative estimates and judgments in evaluating the cost benefit relationship.

2.1.5 Internal Control Principles for Banks

As part of its on-going efforts to address bank supervisory issues and enhance supervision through guidance that encourages sound risk management practices, the Basle Committee on Banking Supervision is issuing this framework for the evaluation of internal control systems. A system of effective internal controls is a critical component of bank management and a foundation for the safe and sound operation of banking organizations. A system of strong internal controls can help to ensure that the goals and objectives of a banking organization will be met, that the bank will achieve long-term profitability targets, and maintain reliable financial and managerial reporting. Such a system can also help to ensure that the bank will comply with laws and regulations as well as policies, plans, internal rules and procedures, and decrease the risk of unexpected losses or damage to the bank's reputation. The paper describes the essential elements of a sound internal control system, drawing upon experience in member countries and principles established in earlier publications by the Committee. The objective of the paper is to outline a number of principles for use by supervisory authorities when evaluating banks' internal control systems³².

These principles are intended to be of general application and supervisory authorities should use them in assessing their own supervisory methods and procedures for monitoring how banks structure their internal control systems. While the exact approach chosen by individual supervisors will depend upon a host of factors, including their on-site and off-site supervisory techniques and the degree to which external auditors are also used in the supervisory function, all members of the Basle Committee agree that the

principles set out in this paper should be used in evaluating a bank's internal control system³².

2.1.5.1 Principles for the Assessment of Internal Control Systems Management oversight and the control culture.

Principle 1: The board of directors should have responsibility for approving and periodically reviewing the overall business strategies and significant policies of the bank; understanding the major risks run by the bank, setting acceptable levels for these risks and ensuring that senior management takes the steps necessary to identify, measure, monitor and control these risks; approving the organizational structure; and ensuring that senior management is monitoring the effectiveness of the internal control system. The board of directors is ultimately responsible for ensuring that an adequate and effective system of internal controls is established and maintained³².

Principle 2: Senior management should have responsibility for implementing strategies and policies approved by the board; developing processes that identify, measure, monitor and control risks incurred by the bank; maintaining an organizational Internal control systems structure that clearly assigns responsibility, authority and reporting relationships; ensuring that delegated responsibilities are effectively carried out; setting appropriate internal control policies; and monitoring the adequacy and effectiveness of the internal control system³².

Principle 3: The board of directors and senior management are responsible for promoting high ethical and integrity standards, and for establishing a culture within the organization that emphasizes and demonstrates to all levels of personnel the importance of internal

controls. All personnel at a banking organization need to understand their role in the internal controls process and be fully engaged in the process³².

2.1.5.2 Risk Recognition and Assessment

Principle 4: An effective internal control system requires that the material risks that could adversely affect the achievement of the bank's goals are being recognized and continually assessed. This assessment should cover all risks facing the bank and the consolidated banking organization (that is, credit risk, country and transfer risk, market risk, interest rate risk, liquidity risk, operational risk, legal risk and reputational risk). Internal controls may need to be revised to appropriately address any new or previously uncontrolled risks³².

2.1.5.3 Control Activities and Segregation of Duties

Principle 5: Control activities should be an integral part of the daily activities of a bank. An effective internal control system requires that an appropriate control structure is set up, with control activities defined at every business level. These should include: top level reviews; appropriate activity controls for different departments or divisions; physical controls; checking for compliance with exposure limits and follow-up on non-compliance; a system of approvals and authorization's; and, a system of verification and reconciliation³².

Principle 6: An effective internal control system requires that there is appropriate segregation of duties and that personnel are not assigned conflicting responsibilities. Areas of potential conflicts of interest should be identified, minimized, and subject to careful, independent monitoring. Internal control systems Information and

communication³².

Principle 7: An effective internal control system requires that there are adequate and comprehensive internal financial, operational and compliance data, as well as external market information about events and conditions that are relevant to decision making. Information should be reliable, timely, accessible, and provided in a consistent format³².

Principle 8: An effective internal control system requires that there are reliable information systems in place that cover all significant activities of the bank. These systems, including those that hold and use data in an electronic form, must be secure, monitored independently and supported by adequate contingency arrangements³².

Principle 9: An effective internal control system requires effective channels of communication to ensure that all staff fully understand and adhere to policies and procedures affecting their duties and responsibilities and that other relevant information is reaching the appropriate personnel³².

2.1.5.4 Monitoring Activities and Correcting Deficiencies

Principle 10: The overall effectiveness of the bank's internal controls should be monitored on an ongoing basis. Monitoring of key risks should be part of the daily activities of the bank as well as periodic evaluations by the business lines and internal audit³².

Principle 11: There should be an effective and comprehensive internal audit of the

internal control system carried out by operationally independent, appropriately trained and competent staff. The internal audit function, as part of the monitoring of the system of internal controls, should report directly to the board of directors or its audit committee, and to senior management³².

Principle 12: Internal control deficiencies, whether identified by business line, internal audit, or other control personnel, should be reported in a timely manner to the appropriate management level and addressed promptly. Material internal control deficiencies should be reported to senior management and the board of directors³².

2.1.5.5 Evaluation of Internal Control Systems by Supervisory Authorities

Principle 13: Supervisors should require that all banks, regardless of size, have an effective system of internal controls that is consistent with the nature, complexity, and risk inherent in their on- and off-balance-sheet activities and that responds to changes in the bank's environment and conditions. In those instances where supervisors determine that a bank's internal control system is not adequate or effective for that bank's specific risk profile (for example, does not cover all of the principles contained in this document), they should take appropriate action³².

2.1.6 Financial Performance

Performance of Listed Deposit Money Banks in the banking industry can be assessed using various indicators, among which include but not limited to customer retention, asset

quality, capital adequacy, assets under management, loan loss, financial performance.

This

study focuses on the Financial Performance (as its dependent variable).

Performance is the measure capability of an organization in term of operational efficiency, sustainable profitably, survival within the industry, grow in the area of market share, revenue and profitability and reaction to opportunities and threats from the environmental⁷¹.

Certain profitability measures such as Return on Equity (ROE), Return on Assets (ROA), Return on Investment (ROI), Return on Capital Employed (ROCE), Economic Value Added (EVA) and Net Interest Margin (NIM) are adopted in measuring Financial Performance in particular. Other measures or indexes for evaluating financial performance on the financial markets and banking environment includes: liquidity and solvency, performance of loan granted, branch network, customer base and netting.

Performance measures are indicators guiding an organization in its quest to achieving the set strategic objectives.

Return on assets (ROA), Return on equity (ROE) and Return on sales (ROS) are referred to as based performance measures as adopted in principles and practices in accounting.

The based performance measures are established by dividing net operational of accounting profits by the value of total assets or total common equity and total net sales respectively. Return on Equity (ROE) indicates the ratio of net accounting profit as a fraction or percentage of shareholders' fund or equity in some cases. Return on Equity is a profitability ratio that indicates the extent of income generated by the provider of equity

capital other than long term financing debts. It is also an indicator of how effective management is using equity financing to fund operations and grow the bank. The higher the return on equity index, the better the financial performance and profitability growth of the entity. Organizations desire a positive high ROCE because they always prefer to a lower return on equity ratios and shows how better the bank is at generating profits. As part of evaluation, these ratios are compared with that of competitors in the industry and also with the general industrial average.

Usually in practice, some investors determine the ratios at the beginning and end of accounting year to measure how significant is the movement during the year with the view to monitor the trends. Averaging Return on Capital Employed over a long term past periods, like 5 to 10 years, may provide a better understanding of the entity's growth historical growth in revenue and profitability and cost reduction.

Where the bank's financial performance in relation to the effective use of non-current assets (fixed assets), the Return on Asset (ROA) is often a measure of this index.

Financial performance evaluation techniques for businesses are activities involving analysis and interpretation of financial statements in a manner which reflects total evaluation of liquidity, solvency, profitability and financial capability of an entity.

Companies and the users of their financial statements which includes the internal users such as the employees, managers and the external users which includes shareholders, government agencies and revenue authorities, creditors, and consultants consider the financial record of the organization to be able to answer various different questions of concern to them. Such questions can

only be answered with the assistance of a financial evaluation and appraisal of the organization. Financial analysis involves the use of financial statements. A financial statement is a set of financial summaries of information arranged according to the set of standards and accounting procedures. The objectives of the financial statement is to facilitate understanding of the financial strength of the entity.

In contrary, financial statements will not give all details in financial operations of a firm, but the financial statement will reveal some basic and important information, which highlights two important factors profitability and financial capabilities⁶⁴.

2.1.7 Internal Controls and Financial Performance

The two factors; Internal Control and Financial Performance, factors and determinants to establishing and measuring organizational objectives. This study aligns with this theory and a ground upon which this research leverages. With internal control, efficiency is guaranteed and promoted, risk of loss of assets and properties shall be reduced, if not completely eliminated, reliability of financial statements is ensured and compliance with the laws and regulations is certain⁷⁶. The comprehensiveness of internal controls in addressing the achievement of objectives in financial reporting, operations and compliance with laws and regulations. A organization's degree of problems in control, which likely not be examined are sometimes, identified to low earning quality, which explore links between disclosure of weakness in certain controls and material lapses for fraud perpetration, earning-diversification by management or re-statement⁴¹.

An effective internal control measures and audit are one of the method adopted in resolving issues in agency theories and problem. Bank that have effective internal

controls in place easily address the agency problems, minimize agency cost and mitigates against earning management resulting to scandalous reporting that could lead to loss of resources⁶⁷.

2.2 Theoretical Frame Work

Various theories have been formulated on internal control and financial performance.

They include:

1. Agency theory,
2. Contingency theory, and
3. Theory of the firm.

2.2.1 Agency theory: The agency theory involve resolving problems that may likely come-up in agency arrangement. That is problems that may occurred between the agent and the principals. The shareholders in this case are the principal, while the agents to the principals are the company executives, managements and other personnel.. There tow problems which agency theory particular addressed between the principal and the agent. The problems are: conflict of interest as a result of difference in the goals of the principal from the agent. In which case, the principal's and agent's goals are in conflict, such that principal find it impracticable verifying what, exactly, the agent is actually doing. The other problem is where both parties are having different attitudes toward risk. The agency theory explains the reaction of a firm from the perspectives of various contracts between different parties. Shareholders who contribute funds for a firm to operate are not regarded as the owners of the firms; they are the risk takers of the firm. In practice, the managers

of firms obtain finances from investors who relies on the manager's ability to make use of the funds efficiently and effectively to earn consistent and continuous profits for the firms. The managers sign contracts that identify the activities they should engage in and specify the way in which profit is allocated between managers and investors. Since it is very difficult to describe and forecast future contingencies, the contracts signed by managers are difficult to implement. Consequently, managers obtain the right to make decisions that go beyond what is stipulated in their contracts. It is human nature to make decisions that suit an individual's own interests; it is no different for managers. They will make decisions that are beneficial for themselves and have scant regard for shareholders' interests. This brings about the principal's problem and the agency problem.

Agency theory can provide for richer and more meaningful research in the internal audit discipline. Agency theory contends that internal auditing, in common with other intervention mechanisms like financial reporting and external audit, helps to maintain cost-efficient contracting between owners and managers⁵.

2.2.2 Contingency Theory: Contingency theory is an approach to the study of organizational behavior in which explanations are given as to how contingent factors such as technology, culture and the external environment influence the design and function of organizations. The assumption underlying contingency theory is that no single type of organizational structure is equally applicable to all organizations. Rather, organizational effectiveness is dependent on a fit or match between the type of technology, environmental volatility, the size of the organization, the features of the

organizational structure and its information system. Contingency theory is used to describe the relationships between the context and structure of internal control effectiveness and organizational performance, especially reliability of financial reporting. Empirical study suggests that internal auditors who are specialized and higher in internal audit ability will achieve internal control effectiveness analysis and that the firm will benefit from the organizational effectiveness via internal control mechanism efficiency.

Some factors which are affecting the control system of management. These factors are:

- (i) External environmental factor,
- (ii) Extent of technology and advancement,
- (iii) Organizational structure,
- (iv) Entity's size, and
- (v) Business strategy and culture.

Contingency theory recommends that challenges required by technical tasks in the organization promotes the advancement of strategies that coordinate and control internal activities. In relation to technology, where data and information are located influence the organizational structure. Also, the environment has significant influence on the organization's structure. Therefore, information is derived internally where there is non-routine technology within an environment that is not certain²⁷, reverse shall be the case for a certain environment, where there is routine technology, information here shall be derived externally.

The dimensions of structure and control will consist of authority structure on one hand, and activities structure on the other hand. These proportion or dimension represent the regulations and process that influence individual discretion..

Authority is for shared power. Contingency theory encourage decentralization of authority for uncertain environment or non-routine technology. The same time, the theory supports centralization of authority for certain environments or routine technology. Contingency theory builds upon accepted elements of System Theory. It recognized that an organization is an open system made up of interrelated sub-units. It adds, however, that the behavior of individual sub-units is contingent upon internal and external environmental contingencies. These might include the relationship between two other sub-units or external systems. This is particularly true when these internal or external units/systems have an effect on the desired outcome of a sub-unit. Contingency theory also proposes structural changes or designs, leadership styles, and control systems in an organization that allow it to react to environmental contingencies.

Contingency theory can be adopted for applied for the structure of audit team more often than not, when audit team managers receive receives some audit engagement. They then create ad hoc audit teams for the projects, selecting auditors based on expertise and experience in the subject areas, and on auditor availability, all of which add up to contingencies for any given audit project.

2.2.3 Firm's Theory: Specifically, the firm's theory targets answering questions such as: Existence, Boundaries and Organization. Reason a firm was organized the way it were, for instance in hierarchy or decentralization?, discrepancy of actions and performances, what determines actions, reactions and firm's performances.

The theory of the firm covers many other theories for economic that illustrate, clarify and forecast the nature of the firm, company, or corporation, including its existence, behavior, structure, and relationship to the market. The theory of the firm has long posed a problem for professionals. The Theory of firm was critically analyzed and considered that theory of firm that go beyond the black-box conception of a production function. The firm is summarized as a contract among a multitude of parties. The main hypothesis is that contractual designs, both implicit and explicit, are created to minimize transaction costs between specialized factors of production. This follows Coase's original hypothesis that institutions serve the purpose of facilitating exchange and can best be understood as optimal accommodations to contractual constraints rather than production constraints. There are three problems that need attention. A first step is to develop and apply techniques that deal with nonstandard problems, such as incomplete contracts, bounded rationality, and multi-lateral contracting. The second step ought to integrate observations from neighboring fields, such as sociology and psychology, in a consistent way into the theoretical apparatus. The third step will be to increase the evidence/theory ratio, which is currently very low in this field¹⁵

The theory of a firm assists to describe reason for business, entrepreneur or manager's considers multiple financing structure characterized with equity and debt from external source. Same theory determines what market structure the entity should operate? Should the entity operate in a monopolistic or perfect competitive products or factor markets⁵⁴.

2.3 Review of Empirical Studies

Several scholars have carried out lots of researches objectively to establish the relationship between internal control and financial performance. A research about internal control and its contributions to organizational efficiency and effectiveness: A case study of Eco bank Ghana Limited found and confirmed the assertion of the Treadway commission of the committee of sponsoring organizations (COSO), that it is the responsibility of the management to establish an efficient internal control system and emphasize the role of the internal auditors in evaluating the effectiveness or otherwise of the system. The research submitted that effectiveness and efficiency of the internal controls depends largely on internal audit function and accepting to establish an independent internal control unit within the organization and its branches¹⁹.

A research on the effectiveness of Internal Control Systems of banks: The case of Ghanaian banks. The research examine the control environment and monitoring activities as a components of Internal Control Systems of Ghanaian Banks using the principles recommended by committee of sponsoring organization (COSO) principles and the qualities of evaluating the effectiveness of internal control systems. The survey discovered that, strong controls exist in the control environment and monitoring activities components of the internal control systems of banks in Ghana. The study recommended that boards of banks in Ghana should not be complacent about the findings but should work hard to ensure continuous ongoing and separate internal control monitoring to ascertain that controls really exist and are functioning properly²².

A study of the importance of internal control system in the banking sector: Evidence from Turkey. The significant of internal control system was considered in the study. Its effects on banking sector was analyzed. The research showed that the internal control activities of the banks are adapted to the international standards in Turkey and effective control procedures existed in the banking system and conclude that an efficient internal control system have a positive effect on the robust and stable outlook of Turkish banking sector²⁷.

A study conducted on the impact of internal control and risk management on banks in Palestine to evaluate the effect of internal control and risk management on banks. The research is judged more assisting in determining how new banking reformations and regulations on the risk assessment, risk identification, and mitigating the risks in banking sector. Outcome of the research favored internal control having positive effect on risk management systems on banks in Palestine regarding quantitative and qualitative performance¹³.

Effect of internal control systems on financial performance of small and medium scale business enterprises in Kisumu City, Kenya with the view to evaluate the impact internal control system has on the financial performance of small and medium scale enterprises. It was discovered from the study that financial performance of small and medium enterprises (SME) are significantly influenced by efficient and effective internal control system. The study also uncover challenges in the application of internal controls particularly when consideration is given to internal audit function which provides necessary support and bases for successful operation of internal controls is not adequately

equipped by the required appropriate personnel. There was weaknesses of business know-how of business owners relating to the existence and importance of internal control systems, thus concluded that there exist significant positive relationship between internal control system and financial performance of small and medium enterprises⁴⁴.

A particular research, using the Agency Theory, was carried out to examine the impact of internal control on financial performance in tertiary institutions in Kenya adopting a case study research design. The confirmed that tertiary institution's Internal Audit Units in Kenya are not adequately equipped and staffed. The study further discovered that the unit is not independent because of management influence in the recruitment for the internal audit unit. The study then pushed for internal audit department to be adequately equipped with competent and sufficiently staffed, and management intervention and influences be removed from the recruitment process for the internal audit unit³⁹.

Similar research in Kenya also consider the role on internal control element in Kenyan public universities discovered an effective control systems in public universities in Kenya. The study emphasis the need to have a continuous guiding training for the internal audit department and awareness training on internal control systems to ensure that all employees actively participate in executing policies that are consistent with the contols⁴².

A study of internal control and financial accountability for not-for-profit boards using charities organizations in America was carried out using a discussion-based model. The research examined the fiduciary duties imposed on the board of directors and accountable officers are being carried out. As failure to carry out these responsibility according to the laid down procedures constitute breach of the fiduciary duty. The study accepted that an

effective internal controls will provide and secure the entity's assets and render the required supports to the management²¹.

A survey on the effect of internal control system in Nigeria public sector using the Nigeria National Petroleum Corporation as a case study actually adopted both primary and secondary source of data collection, Chi-square and Pearson's correlation coefficient were applied to testing the research hypothesis. Questionnaire used for the study was design to unveil measures on duties separation, verification internally, available control within and without and dues process procedures. The study concluded that internal control contributed and its roles cannot be under estimated in prevention and early detection of frauds and missappropriations².

A research on how effective internal control could be on financial accountability narrowing the study down to local governments in Nigeria recommends that Nigeria local government authority strengthen efforts that will guarantee an effective internal control systems which must be established to enhance the local government financial accountability and reliability⁵⁸. The study found that successful accountability sees internal control as a significant factor that contribute to achieving this laudable objective of local government council and authority in Nigeria⁵⁸.

Similar research used the Nigerian Customs Service (NCS) as a case study, unlike the survey that look at the Nigerian Local Government. The study recognized that the major regulatory authorities for Nigerian Customs operations includes the Nigerian Customs Service in charge of administration and enforcement and the Nigeria Customs Service Commission for overseeing the affairs and activities of the former. Chi-square was used

for hypothesis testing. The study established that internal control contributes immensely to the revenue generation capacity of the agency of government and recommend and support putting sufficient internal control measures and system in order to reinforce the standard of the custom service compliance and revenue generation⁶.

How effective is internal control to value for money is important mostly to the public sector. This forms the basis for study of internal control and value for money considering local government as a field of study. The research discovered how significant is internal control to the achievement of value for money objectives. The research also confirmed a positive significant relationship between the internal control environment, control activities, risk assessment, information and communication and monitoring and the dependent variable, value for money in local governments¹⁵.

The relationship between Deposit Money Banks Credits and the Nigerian Agricultural Sectors Performance attracts an interest and informed a study in this direction focusing on periods from 1986 through to 2016. Descriptive statistics and ordinary least square regression was used to test the research objectives and hypothesis accordingly. The outcome of the study confirmed a positive relationship between the variable of study. This findings reaffirmed other expectations and outcomes of other studies suggesting that for every increase deposit money bank credits, there will be a corresponding rise by about 3.19 percent in the agricultural sector performance with 5 percent significant level²⁴.

Working Capital Management and Bank Performance: Empirical research of ten Deposit Banks in Nigeria was researched. The objective of this study is to examine how

profitability of banks can be enhanced through the working capital management. To empirically carry out the analysis, panel data which consist of ten (10) deposit money banks in Nigeria for seven years (2010–2016) employing the panel fixed effect, panel random effect and the pooled OLS for the two models, which were used as proxies. The study made use of ordinary least square which combined both features of constant and random effects panel model to examine how the working capital of some deposit money banks will affect their financial performance. The research found that working capital has valuable influence on the extent of profitability of the studied banks and recognized that return on asset as a valuable index for measuring the financial performance of deposit money banks.

Review of required minimum capital of deposit money banks should be carried out at a regular interval in order to guide against the impact of general increase in price level and emphasizing the need to recognize time value of money are recommendation noted in the study⁵¹.

A research on The Roles of Auditors in Fraud Detection and Prevention in Nigeria Deposit Money Banks: Evidence from Southwest was carried out to examine the mode recording risk assessment, auditing through the system and verification of assets and financial statements by auditors as factor to reducing fraud in the banking sectors in the Nigerian Southwest Region. survey design was used to obtained primary data for the survey, including both descriptive and inferential statistics for further analysis. The research covered the whole deposit money banks and conclusion reached that roles of auditors has to be enhanced in order to improve control of fraud in the finance sector. Also, management of banks should ensure strict compliance with their

respective internal control system⁴⁸.

The Efficiency of Loan Recovery Rate of some listed Deposit Money Banks in Nigeria was an area of interest and was researched. The objective of the study are: (1) To solve a simple one-period model that describes the optimal bank policy under credit risk; (2) estimating the long-term stochastic processes underlying the risk factors in the balance sheet, taking into account the credit and interest rate cycles; (3) simulating several scenarios for interest rates and charge-offs; and (4) describing the equations that govern the evolution of the statement of financial position over a long period into the future.

The major focus of this research was the examination of loan recovery rate in Nigerian deposit money banks. Specifically, the study sought;

1. To examine the loans recovery rate and its effect on selected deposit money banks performance in Nigeria.
2. To examine the risk of credit default and its effect on selected deposit money banks performance in Nigeria.
3. To examine the loss-given default and its effect on selected deposit money banks performance in Nigeria

This study utilized the descriptive research design to empirically analyze the effect of loan recovery rate in Nigeria. selected money deposit banks in Nigeria from 2002 to 2014. The study has its data sourced majorly from financial accounts and reports of the banks in the study sample. The data were cross-sectional and time-series, as such, they were pooled into a set of panel data estimation using panel data regression. The criteria used in drawing up sample size are:

- i. The availability of data consistency over a period of time

- ii. The number of banks taken over by AMCON
- iii. The banks that are major participants in the Nigerian Stock Exchange and have large customers base.

The study used the parametric and non-parametric methodologies in examining this process. Specifically, the study adopted the descriptive analysis, correlation, and panel data analysis to investigate the relationship between the variables of loan recovery rate, risk of credit default and loss-given default on the performance of the deposit money banks¹⁰.

A surveyed on Monetary Policy and Financial Performance of Nigerian Deposit Money Banks with the aim of ascertaining the instruments of the monetary policies which the Nigeria Apex Bank (the Central Bank of Nigeria) made available prior to and after the consolidation of banks. Also establish the impact which the monetary policies have on the financial performance.

The research methodology for this research is a research design which explained how monetary policy variables available to the Central Bank of Nigeria during the consolidation exercise (between 2000 and 2016) and the financial performance of deposit money banks with the view to ascertaining trend and their behavioral pattern. The study examined twenty one listed deposit money banks and due to the limited numbers of the banks in the population, a purposive sampling was adopted. The research model showed that the monetary policy ratios and loan recovery ratios are not collectively significant in describing return on asset during the consolidation exercise between 2000 and 2016. 22.07 percent variation in the return on asset was represented in monetary policy ratio and loan recovery during the period under consideration because 1 percent rise in loan

recovery and monetary policy ratio resulted to about 0.0004 percent and 0.0028 percent rise in the Return on Asset ⁶².

A study conducted in Kenya on the effect of internal control on the financial performance of technical training institutions in Kenya. The study investigated and sought to establish the relationship between internal control systems and financial performance in Technical Training Institutions in Kenya. Internal controls were looked at from the perspective of Control Environment, Internal Audit and Control Activities whereas Financial performance focused on Liquidity, Accountability and Reporting as the measures of Financial performance. The Researcher set out to establish the causes of persistent poor financial performance from the perspective of internal controls. The research was conducted using both quantitative and qualitative approaches using Survey, Correlation and Case study as Research Designs. Data was collected using Questionnaires as well as review of available documents and records targeting basically Finance Officers, Heads of Departments, Management Committee members and Finance and Accounts staff as respondents from a population of 37 Technical Training Institutions in Kenya. Data was analyzed using the Statistical Package for Social Scientists where conclusions were drawn from tables, figures from the Package. The study found that management of the institutions is committed to the control systems, actively participates in monitoring and supervision of the activities of the Technical Training Institutions in Kenya, all the activities of the Institution are initiated by the top level management, that the internal audit department is not efficient, is understaffed, doesn't conduct regular audit activities and doesn't produce regular audit reports although the few reports produced by the internal audit department address weaknesses in the system. It was further revealed that there is a clear separation of roles, weaknesses in the system are addressed, and there is a

training program for capacity building in the institutions. However, the study also found out that there is lack of information sharing and inadequate security measures to safeguard the assets of the Technical Training Institutions in Kenya. It was also noted that there isn't enough cash to meet intended obligations effectively as and when they fall due, that the fees charged to students are not appropriate to cover costs, that all fees meant to be remitted to the Technical Training Institutions in Kenya are not collected. It was however, revealed that all revenues and expenditures are properly classified, and that assets of the Technical Training Institutions in Kenya have generally increased. The study established a significant relationship between internal control system and financial performance. The investigation recommends competence profiling in the Internal Audit department which should be based on what the Technical Training Institutions in Kenya expects the internal audit department to do and what appropriate number staff would be required to do this job. It also recommends that the institutions establishes and manages knowledge/information management system to enable all parties within the institution to freely access and utilize the official information. There should be a strategy to improve the generation of additional finances for the Technical Training Institutions in Kenya. The Study therefore concludes that internal control systems do function although with hiccups and that there is a significant relationship between internal control systems and financial performance of Technical Training Institutions in Kenya⁴³.

Shehu, U. H. studied Adoption of International Financial Reporting Standards and Earnings Quality in Listed Deposit Money Banks in Nigeria with the aim to examine how Firms comply with IFRS. Using IASC's list of International Accounting Standard adopters, Cairns examines firms' adoption approach including full adoption, dual reporting, and reconciliations and their compliance with IAS. Leuz and Verrecchia in

their study examine information asymmetry and market liquidity proxies for German firms adopting IAS and U.S. GAAP. The study adopted correlational research design with balanced panel data of 14 banks as sample of the study using multiple regression as a tool of analysis. The result reveals that firms attributes (leverage, profitability, liquidity, bank size and bank growth) has as significant influence on earnings quality of listed deposit money banks in Nigeria after the adoption of IFRS, while the pre period shows that the selected firm attributes has no significant impact on earnings quality. It is therefore concluded that the adoption of International Financial Reporting Standards is right and timely⁵⁹.

Features of organizational structure and quality of financial reporting of quoted banks in the Nigeria stock exchange with certain objectives to examine the effect of these features on the value of the financial record of the quoted banks. To evaluate how debt financing affect the quality of the financial reporting of the quoted deposit money banks in Nigeria. Also, to examine the reaction of the quality of the financial reporting to the age of these banks. It was concluded that there was no relationship existing between the bank's age and the bank 's size.

Correlational research proved appropriate for the survey as it perfectly analyzed the relationship between the variable for the research and when the hypothesis were tested with data gathered from fifteen (15) listed deposit money banks at the year ending 31 December 2014. It was concluded from this research work that entity's structural features does not have any significant relationship with the quality of financial reporting of listed Nigerian deposit money banks⁵⁰.

A study carried out on ownership structure and dividend policy of listed deposit money

banks in Nigeria was conducted and the objectives of the study are specifically to include:

- i. Investigation on the possible effect of policy for dividend may have as a result of the managerial ownership of listed deposit money banks in Nigeria
- ii. To evaluate the significant effect industrial ownership may have on Nigerian listed deposit money bank's dividend policy.
- iii. To establish the possible effect on dividend policy of Nigerian quoted deposit money banks may have due to the ownership concentration , and
- iv. To establish the possible effect foreign ownership may bring on dividend policy of listed deposit money banks in Nigeria.

The research preferred and used inferential statistics through correlation and ex-post facto design from data collected from a secondary source. An aggregate of seventeen deposit money banks are contained in the population. The secondary data are majorly extracted from the bank's audited financial statement for the research period covering 2010 – 2014. Sample size of ten banks were used and the study recommended to the Corporate Affairs Commission (CAC) and the Nigeria Security Exchange (SEC) to embark on policies that will encourage payment of dividend in order to satisfy the interest of the equity holders, especially the minority equity holders²⁸.

Corporate Tax and Profitability of Deposit Money Banks in Nigeria was studies with the aim to investigate the extent to which company income tax (CIT) affects the profit after tax (PAT) of Deposit Money Banks in Nigeria. The research consider the use of causal research instrument and a sample of 12 of the current 21 banks were selected. The Study

found that CIT charge on Nigerian Banks requires a thorough review. The theory of ability-to-pay tax states that firms and individuals should pay tax based on the income available to them which is in line with the principle of fairness and progressive principle of taxation²⁰.

A study on Innovation and Internationalization of Nigeria Deposit Money Banks which aimed to investigate the impact of service and process innovation on globalization of deposit money banks in exploiting a survey research design. A questionnaire was designed to particularly for the selected numbers of employees from banks in countries outside Nigeria. Other selected staff were selected from the strategy and internal operation department of the Nigeria Apex bank, Central Bank of Nigeria. The research used least square and regression analysis made possible with the aid of STATA 12. The study found that service and process innovation significantly affect bank's globalization. The research also recommended for any Nigerian bank seeking globalization of operation to make use of service and processes innovation, which as at the time of the research was at unsatisfactory level³⁹.

Deposit Money Banks and Entrepreneurship Development in Nigeria was a survey conducted in with a view to evaluating what impact deposit money banks have over entrepreneurial advancement in Nigeria. The research favored the use of ex-post facto survey design, sourced relevant data from bulletin and publications of the Central Bank Nigeria and the National Bureau of Statistics. The study identified lack of sufficient fund as a major challenges to setting a business and running a business. Thus, small and medium businesses count on the banks for facilities and these credits are not as available to them like it does to the large businesses. The period covered by the data ranged

from 1992 to 2015. Descriptive statistics using measure of central tendencies and measure of dispersion were used. Data were further analyzed with regression analysis. It was discovered that deposit money banks increase the loans and credit facilities advanced to customers due to positive impact of entrepreneurial development level in Nigeria. However, the study has no empirical and theoretical background⁴.

A study on internal control systems and financial performance of public institutions of higher learning in Vihara County, Kenya was conducted to establish how internal control is relevant to financial performance of public higher institution in Kenya. The study identified suboptimization in financial performance of public higher institutions. Most public institutions of higher learning across the world have reported suboptimal financial performance compared to private institutions of higher learning. The poor financial performance can be attributed to financial management practice. The sound financial management practices require the institutions of robust internal control systems. However, there are limited empirical research findings regarding the relationship between the internal control system and financial performance. The specific objectives of the study were: to determine the effect of control activities, risk assessment, control environment, information and communication and monitoring on financial performance of institutions of higher learning in Vihiga County, Kenya. The study was anchored on agency theory, stewardship theory, positive accounting theory and attribution theory. The study used a descriptive research design. The target population of respondents was 140 employees in the four institutions studied whereas the sample size was 96 employees. Primary data was collected from sample population using semi-structured questionnaires. Descriptive and multiple regression analysis were used to analyze data. The study found that the institutions had adequate and

effective control activities which included regular internal audit reports, adequate segregation of duties in the finance and accounts departments and physical controls to prevent excess allocated funds. Control activities were found to have a positive significant effect on the financial performance of the institutions under study. The study found that the institutions under study had proper risk assessment tools and risk assessment management system because they carried out continuous financial assessment of their organizations coupled with regular, timely and profound audits. Risk assessment was found to have a positive significant effect on the financial performance of the institutions under study. The study established that the entity had effective control environment. The number of staff in finance and audit departments was adequate and well trained on accounting and financial management system. Control environment was found to have a positive and significant effect on the financial performance of the institutions under study. The study found that the institutions had effective flow of information and communication channels. In addition, the study found that effective flow of information and communication enhanced financial accountability and financial performance of the institutions. The expenditure of the institutions was properly monitored and audit departments were independent. Financial monitoring was found to have a positive and significant effect on the financial performance of the institutions under study. To the management of the public institutions of higher learning, the study recommends regular and timely financial audit to help them identify any loop holes in their financial systems as well as financial performance⁵³.

International Financial Reporting Standard effect of provision for losses, steady earnings and management of capital within the Nigeria deposit money banks was studied with the view to examine the effect of International Financial Reporting Standards (IFRS)

adoption on loan provision for managing profit and capital by the quoted deposit money banks in Nigeria. Twenty one deposit money banks quoted on the Nigeria Stock Exchange were used for the research and it was established that there exist a significant increase in loan provision and management of capital by the listed deposit money banks in Nigeria subsequent to the adoption of the International Financial Reporting Standards compare to adoption of the IFRS. However, the study was conducted without any theory and empirical analysis¹⁸.

Features of organizational structure and quality of financial reporting of quoted banks in the Nigeria stock exchange with certain objectives to examine the effect of these features on the value of the financial record of the quoted banks. To evaluate how debt financing affect the quality of the financial reporting of the quoted deposit money banks in Nigeria. Also, to examine the reaction of the quality of the financial reporting to the age of these banks. It was concluded that there was no relationship existing between the bank's age and the bank 's size.

Correlational research proved appropriate for the survey as it perfectly analyzed the relationship between the variable for the research and when the hypothesis were tested with data gathered from fifteen (15) listed deposit money banks at the year ending 31 December 2014. It was concluded from this research work that entity's structural features does not have any significant relationship with the quality of financial reporting of listed Nigerian deposit money banks⁵⁰.

An Empirical Investigation of the Impact of Deposit Rates on Fund Mobilization by Deposit Money Banks in Nigeria was examined. The goal of the research was to examine the relationship existing between the rates of deposit as classified into different types of

deposit rates charged by deposit money banks in Nigeria and deposit mobilization from 1981 to 2012. Each year data were sourced from publications of the Central Bank Nigeria. The research exploit the use of ordinary least square multiple regression and other inferential statistics for its analysis and tests and it was found that Nigeria deposit rates have no significant effect on customers deposit in the deposit money banks regardless of the type of deposit liabilities⁹.

Fraud and Performance of Deposit Money Banks was studied to examine the impact of fraud on the performance of Deposit Money Banks in Nigeria. However, the specific objectives are to:

1. Determine the effect of fraud amount on performance of Deposit Money Banks;
2. Evaluate the impact of the number of reported fraud cases on performance of Deposit Money Banks; and
3. Examine the effect of the number of staffs involved on the performance of Deposit Money Banks.

The research based on research model of the ex-post facto design. The Nigerian Deposit Insurance Corporation (NDIC) yearly report covering 2006 through to 2016 (10 years) was

the secondary source of data for the study. The effect of fraud on deposit money banks with

certain regression assumptions was examined using the ordinary least square (OLS). It was

found that there was a negative relationship between fraud and performance and that the

aggregate numbers of employees who are involved in fraud is significant and have a

positive impact on the performance of the Nigeria Deposit Money Banks . The conclusion,

was therefore, that the fraud in the financial economy significantly affect the performance of deposit money banks in Nigeria and recommend continuous regulation and monitoring

for the banking sector. Such continuous regulation, supervision and monitoring are suggested to be carried out by the regulatory agencies such as the Central Bank of Nigeria

(CBN) and the Nigeria Deposit Insurance Commission (NDIC) with the aim and mandate to reducing the possibility of fraud and it's incidence³².

An examination into the effect of the introduced Treasury Single Account (TSA) within the public authority on the financial performance of deposit money banks in Nigeria . Analysis for this study was to evaluate the effect which the Treasury Single Account has on deposit money banks in Nigeria. The research use a purposive sampling method for identifying six systematically important banks for the study and data on the major and relevant indices for measuring profitability of the deposit money banks were sourced. The ratios of importance including Earning Per Share (EPS), Profit After Tax (PAT), Return on Equity (REO) and Return on Asset (ROA) over a period of six years were classified into ratios as calculated before introducing the Treasury Single Account which fall between 2012 to 2014, and after Treasury Single Account introduction in 2015 – 2017. A paired sample test analyzed revealed that the Treasury Single Account significantly and positively affect the Earning Per Share (EPS), Return on Equity (REO) and Return on Asset (ROA) which are used as a measure of the banks financial performance. However, of the four ratios of financial performance of the deposit money banks , only Profit After Tax came-up with negative insignificant effect on the deposit money banks financial performance.⁴⁸

The examination into the Quality of Audited Financial Statements of Money Deposit Banks in Nigeria which aimed at evaluating the value of audited financial statements of money deposit Banks in Nigeria, in order to objectively determine auditor's independence to the level of compliance to audit recommendations and how those recommendations, procedures, process and guidelines affect the quality of audited financial statements of money deposit Banks in Nigeria. Primary and secondary sources of data collection were employed. Questionnaire was used as primary method, while publications, articles, newspapers and other materials are the secondary source. Five banks were drawn from the population of 21 deposit money banks to represent the sample for the evaluation. Findings for the study are as stated below:

- i. That auditor's independence significantly enhance the value of audited financial statements of money deposit banks in Nigeria.
- ii. That conformity to auditing procedures positively and significantly impact the on the value of audited financial statement of money deposit banks in Nigeria.
- iii. That material misstatement will significantly impact the quality of audited financial statements of money deposit banks in Nigeria.
- iv. That the audited financial statements of Nigerian money deposit banks, if reexamined by another independent auditors, the financial statement will provide similar and constant result and opinion.
- v. That auditor's independence on financial statements places a test on the financial value of Nigerian banks' audited financial statements.
- vi. Consistency and reliability can be completely achieved where the financial statements of banks in Nigeria are audited independently.
- vii. Auditors always comply with various auditing and assurance guidelines in carrying

out their auditing job on the financial statements of Nigerian Money Deposit Banks.

viii. Most audited financial statements of money deposit banks in Nigeria contain material misstatements which are usually reported in the domestic reports that Auditors write to the management of the banks³³.

The study on the Competitive Intelligence and Organizational Performance in Selected Deposit Money Banks in South-East, Nigeria has a broad objective of determining the effect of competitive information on organizational performance in selected deposit money banks in South-East, Nigeria. The study affirmed that Competitive intelligence is not only desired, but it is also a requirement for the survival of the Nigerian Banking Industry characterized by intense competition, high technological innovation, powerful customers with diverse requirements, and continuous regulatory policies among other factors. For banks to survive, therefore, there is need to adapt to the environment to achieve better customer service delivery, increased market share and customer satisfaction using competitive intelligence. As a service organization, customer quality service and satisfaction is the prime concern of any bank. In view of this assertion, the study further admitted that due to the fact that banks sell undifferentiated products, the only effective tool they can employ to survive is the quality of service which they offer to their customers. The survey also aligned on claim that banks that offer very high quality services have a competitive advantage because the benefits of improved quality of services are large market shares, increase in profits and increase in customer retention. It, therefore, becomes crystal clear that quality service and customer satisfaction are the most important indicators of cementing relationship between the organization and its customers. This is because, in today's business environment, the traditional passive role of the customer in market transactions has shifted towards a more active stance because

of information availability, globalization, and access to diverse networks. With the internet, the customers can easily access, select, and compare information concerning the available offer of products and services. This scenario offers them greater opportunity for choice-making, making them less loyal to a particular financial institution, and more demanding of products and services that satisfy their specific needs and time schedules. Specifically, the study sought to:

- i. Ascertain the influence of competitor intelligence on market share in deposit money banks in South East, Nigeria.
- ii. Assess the effect of customer intelligence on quality service delivery in deposit money banks in South East, Nigeria.

This study employed survey research design whose main aim is to gather detailed and factual information that describes an existing phenomenon. A survey is a series of self-report measures administered either through an interview or a structured questionnaire. The results revealed that competitor information significantly and positively affect the market share. Furthermore, customer information had a significant positive effect on value service provision. The study recommended that Banks should establish competitive information departments that will frequently assist them bring together appropriate and timely intelligence about their competitors and customers so as to enable them devise strategies and make enlightened and effective decisions at all times⁴³.

The journal published on After-Merger and Acquisition and Performance of Deposit Money Banks in Nigeria had a main objective of assessing the impact of post-merger and acquisition (M&A) on the performance of the Nigerian Banking industry. However, the study identifies the following specific objectives which are to:

i.) Establish the relationship between post-merger and acquisition capital base and return on dividend per share of deposit money banks,

ii.) Determine the relationship between post-merger and acquisition capital base and earnings per share on deposit money banks.

A cross-sectional research design consisting of twenty-two Nigeria and a sample of ten of these banks were randomly picked from the population for further evaluation.

Data for the research were derived from audited financial statement of the research period for five years including 2008 to 2012 and the data so collected was analyzed using simple regression technique. It was concluded from the study that, there is no impact of post-merger on the dividend per share that accrue to the shareholders, their earnings per share, return on assets and return on capital employed. In further perception, the research discovered decrease in the level of world banking emergency within the years and decrease in bank failures in Nigeria. These notable outcomes and increase the money deposits capital base in the finance sector were attributed to the merger and acquisition in Nigeria²⁹.

A research on internal control system and financial performance of manufacturing companies listed in Nigeria was conducted to evaluate the effect internal control on the financial performance of manufacturing companies which are listed in Nigeria. The research evaluates and identified that financial performance reflects the efficiency of income generation by an organization when capital are readily available in an open market. The financial performance also indicates profit making capacity of an entity which is confirmed by continuous growth in profitability measures. Financial performance is a measure of the profitability position of an organization which is the

difference between revenue generated from the sale of output and the full opportunity cost of factor used in the production of that output. Financial performance was also considered to be a factor that lead to financial success and ability of an investment to make profit or the state or condition of yielding a financial profit or gain. On the other hand, manufacturing firms in Nigeria has witnessed poor financial performance and the resulting failure these companies and eventual liquidation are linked to a weak and inconsistent internal control system, internal fraud, and non- compliance with corporate governance standard, lack of transparency, creative accounting and insider trading. The financial performance of many organization in manufacturing sector of the economy need thorough investigations. Hence, prompt the need of the study to objectively examine the effect of internal control system on financial performance of manufacturing companies listed in Nigeria. The study employed ex-post facto research design, a target population of forty-three (43) manufacturing companies quoted on Nigerian Stock Exchange was used and a sample of fifteen (15) companies was selected from the population. The data was gathered from audited financial reports of the sample manufacturing firms for a period of ten (10) years. The study employed descriptive method of analysis to describe the data while inferential statistics such as multiple linear regression technique was used to test the hypotheses using Stata software. Inferences were made at 10% level of significance. The study showed that Risk management has significant and positive effect on financial performance of manufacturing companies listed in Nigeria giving the F-statistics value of 7.212 with probability value of 0.000 and Adjusted r² of 0.151. Hence the null hypothesis of no significant effect is rejected. Board independence have statistical impact on financial performance with F-statistics value of 5.441 with probability value of 0.000 and Adjusted r² of 0.113. Hence the null hypothesis of no significant effect is rejected. From the findings of the study, the study concluded that

manufacturing companies that had invested on effective internal control systems have more improved financial performance as compared to those with a weak internal control system. The following recommendations were made based on the outcome of the study: Management should develop a mechanism to incorporate relevant feedback from the various stakeholders into their internal control system and Board of Directors of manufacturing firms should ensure that the internal control systems recommended by both internal and external auditors are periodically monitored and evaluated.¹¹

Effect of Capitalization on Banks' Financial Performance in Nigeria was examined in order to establish the effect of recapitalization on banks' performance in Nigeria. The study identified four factors that are impacting the efficiency of banks in performing their known duties within Nigeria to corporate and individual customers and the public as a whole. Such factors identified include: Foreign ownership, mergers and acquisitions, size of the bank and consolidation in the system.

Ownership by foreign entity greatly resulted into a lower operational cost which are traced to the claimed transfer of foreign skills and through the share of the economics of scale created by the group. Therefore it might be more profitable to member of an international group of companies, thereby sharing the foreign group's resources and position to make up for external market failures. Becoming a member of the foreign group here is similar to merger and acquisition.

One of the types of merger is the Horizontal Merger. This is a mergers and acquisitions between companies in same type of business and operating in the same industry. The major and significant benefit attributed to merger and acquisition is reduction in cost resulted from Synergy of capitals of the merging companies.

The size of the business is also a factor that determines the efficiency of the bank. The effective coordination, economic of scale enjoyed by a larger firm consequently resulted into cost reduction and increase in efficiency.

The consolidation of small and medium size banks to become a better-bigger one is synonymous to merger and acquisition and the benefit of cost efficiency is also attributed to this factor.

Data were collected from audited financial report of the selected banks from 2000-2013. The analysis was carried out with the use of panel method. The study concluded that management needs to considered recapitalization as a way of ensuring optimal utilization and tax incentive for banks for the purpose of competing with outside world economy⁵⁴.

Empirical analysis of board diversity and the Financial performance deposit money banks in Nigeria was conducted to examined the effect of board diversity on the financial performance of deposit money banks in Nigeria. The study also examined the relationship

between board independence and financial performance of deposit money banks in Nigeria.

The data for the study were sourced from the annual reports of 10 listed deposit money banks in Nigeria from 2008 to 2017. The data were analyzed using pooled Ordinary Least Square regression. The study has found that there was a positive relationship between board

gender diversity and financial performance. This implies that having female director in directors on the board of banks has positive impact on the financial performance of banks⁵.

The study on Differentiation Strategies and Performance of Deposit Money Banks in Port-Harcourt, River State used both descriptive and inferential statistical tools to analyze its data; the information collected from the questionnaire was summarized in their groups and percentage were used to analyzed the data, also inferential statistical tool of regression analyses was used to test the level of significance among variables and finally the analysis was aided with SPSS version 21.0. The study identified that some required resources such as experience and technical knowledges can be obtained from the outside and organization. These resources may be such that are tangible or intangible and these resources – assets, capabilities, organizational processes, organization characteristics, intelligence, skills and competent staffs, efficiency and effectiveness are assets that the management should with priority. The study found that deposit money banks can accomplish development in terms of company's performance provided the bank can identify their product, among others, effectively and efficiently. Also, an enhancement in the banks profit using difference effective strategies. The study also found that there is no one specific differentiation strategy that can bring improvement to the banks performance. rather it is different differentiation strategies and recommends that in order for firms to sustain competitiveness in the industry, they should be differentiation conscious by expanding their market coverage with different products⁵².

The study on Customer Relationship Marketing and Performance of Deposit Money Banks in Nigeria to be able to determine whether the marketing of customer relationship in the deposit money banks will have significant impact on the satisfaction of customers, improvement and customer's retention in Anambra state, Nigeria.

The research used Cochran's formula of infinite population because the population of the

research was endless. The Cochran's formula therefore determined the population of one hundred and thirty five. Questionnaires were analyzed five point likert's scale and hypotheses formulated for the study were tested with the t-test statistical tool with aid of Statistical Package for Social Sciences (SPSS) version 20.0. It was discovered that using customer relationship marketing has greatly enhanced, not only, satisfaction of customers in the money deposit banks in Nigeria, but also improved customer's retention in the Nigerian money deposit banks⁴⁹.

A survey covering 1986 to 2011 periods on Liquidity Management and Performance of Deposit Money Banks in Nigeria. The main essence of the research is to determine the effect which management of liquidity may have on the performance of deposit money banks in Nigeria within research period. Specifically, objectives the survey are as follows:

- i. To evaluate the effect of management of liquidity on the performance of deposit money banks.
- ii. To examine the impact of loan to deposit ratio on the performance of deposit money banks.
- iii. To assess the effect of cash reserve ratio on the performance of deposit money banks.

The entire twenty four (24) deposit money banks in existence during 1986 to 2011 are included in the research, SPSS was used to analyze secondary data collected for the survey. The empirical analysis revealed a significant relationship between liquidity management and performance of Deposit Money Banks in Nigeria. The correlation analysis confirmed a positive effect on Return on Equity (ROE) and variables for management of liquidity such liquidity ratios. Loan to deposit ration reflect a negative relationship and impact³⁶.

An examination of the Effect of Capital Adequacy Ratio (CAR) on Profitability of Deposit

Money Banks (DMB's): A study of DMB's with International Operating License in Nigeria was conducted with the general objective of examining the effect of Capital Adequacy on Profitability of Deposit Money Banks in Nigeria; the specific objective is to ascertain the nature and strength of relationship between Capital Adequacy and Profitability of Nigeria's DMB's. The study interpreted capital adequacy ratio as capital-to-risk, risk-weighted asset ratio which is adopted in measuring the financial capacity of financial institutions vis-à-vis usage of the company assets. The importance of the ratio is for depositors protection and enhancement of the stability and efficiency global financial operations. Banks with a high capital adequacy ratio are considered to be viable and will have the ability to honour its financial obligations whenever they arise. The ratio (capital adequacy ratio) is computed by dividing capital with the risk-weighted asset. The least capital adequacy ratios are critical in ensuring that banks have sufficient capital to cover reasonable amount of losses prior to becoming insolvent and possibly losing depositor's fund in their custody. Ordinary Least Squares (OLS) method was used via SPSS 20.0 to run the data used in the research with findings that; there exist a strong positive relationship between CAR and ROA of Deposit Money Banks (DMB's) in Nigeria and recommends that the banks' regulators should not only focus on Capital Adequacy but also on strategic monitoring and evaluation to maintain banks' financial strength and stability in Nigeria. From the findings, we can conclude that there exists a strong positive relationship between Capital Adequacy and Profitability of DMB'S in Nigeria. Thus, CAR proves a strong factor in profit planning and capital structure decisions. The study, however, has no theoretical basis⁸.

The relationship between Credit Risk Management and the Performance of Money Deposit

Banks in Nigeria was studied to actually establish the relationship existing between credit Risk management and the performance of money deposit banks in Nigeria. The specific objectives of the research include:

- i. To evaluate extent of relationship between provision for Loan Loss and financial Performance of Money Deposit Banks in Nigeria.
- ii. To evaluate the relationship existing between non-performance loan and financial Performance of Money Deposit Banks in Nigeria.
- iii. To establish the relationship existing between loan to deposit ratio and financial

the six geopolitical zones from 2011 to 2015 were included in the population, from which six deposit money banks were selected using Simple Random Sampling method.

Secondary source of data collection was adopted gathering and obtaining information from the audited financial statement and reports of the banks a research period covering 2011 through to 2015.

Descriptive and inferential statistics are used in analyzing the data collected over the research periods. This was achieved through the use of Statistical Package for Social Science (SPSS) version 22 and e-view.

The outcome of the descriptive and inferential analysis ascertained that the relationship between loan loss provision and financial performance is significantly negative for Nigerian deposit money banks. The research, therefore, recommend the need for deposit

money banks to embark on a prudent management of credit risk that will lead to an improved financial performance of the deposit money banks in Nigeria¹.

A survey carried out on the effect of internal control systems on the financial performance of Nairobi Stock Exchange Listed banks with a the purpose of having an insight into the how internal control systems will influence the level of financial performance in the Nairobi Stock Exchange (NSE) listed banks in Kenya. The research suggested that the assessment of risk and information and communication have a weak significant effect while the monitoring, control environment and the control activities have the weakest effect on the Return on Asset and Return on Equity in the Nairobi Stock Exchange listed banks in Kenya. The survey adopted a descriptive research design and a case study to analyze the impact of the variables on financial performance using Likert collected responses. The correlation results established that monitoring, information and communication, control environment, risk assessment and control activities have positively influenced the performance as they all had positive values. The R squared values of .0664 for Return on Asset and 0.742 for Return on Equity showed a positive effect. The F statistic was also significant showing that the independent variables were significantly different and that each could contribute differently to the financial performance of Nairobi Stock Exchange listed banks. The internal controls: risk assessment and the controlled environment have features in them that are essential in establishing any corrupt activities occurring within the banks. To enhance performance and mitigate adverse corporate governance issues management requires that the banks must have strong internal control systems that have been put in place. To facilitate faster delivery of audit activities which includes the processes of detecting and preventing of frauds and/or non-compliance with public expenditure, the Nairobi Stock Exchange-listed

banks should provide a conducive control environment that enables the use of cutting-edge control activities such as ICT (Information, Communication and Technology) technology to support auditing functions, accounting packages among other which will promote continuous training and develop organizationally⁴⁶.

A survey on evaluation of the non-financial indexes of performance of deposit money banks in Nigeria was carried out considering only non-financial measures. The research work is to evaluate factors considered as non-financial of performance of deposit money banks in Nigeria.

The population of the study comprised the entire 21 banks listed on the Nigerian stock exchange as at December 2013. The study used expos - factor research technique. Data for the study were obtained from nine deposit money banks which are included in the sample. Content analysis method was employed, with the use of scoring and grading method. The research resolved that Nigerian Deposit Money Banks (DMB) disclose some part of non-financial measure of performance in their annual report, also the study found out deposit money banks disclosed voluntary information in their annual report³.

The study on the Competitive Intelligence and Organizational Performance in Selected Deposit Money Banks in South-East, Nigeria has a broad objective of determining the effect of competitive information on organizational performance in selected deposit money banks in South-East, Nigeria. The study affirmed that Competitive intelligence is not only desired, but it is also a requirement for the survival of the Nigerian Banking Industry characterized by intense competition, high technological innovation, powerful customers with diverse requirements, and continuous regulatory policies among other

factors. For banks to survive, therefore, there is need to adapt to the environment to achieve better customer service delivery, increased market share and customer satisfaction using competitive intelligence. As a service organization, customer quality service and satisfaction is the prime concern of any bank. In view of this assertion, the study further admitted that due to the fact that banks sell undifferentiated products, the only effective tool they can employ to survive is the quality of service which they offer to their customers. The survey also aligned on claim that banks that offer very high quality services have a competitive advantage because the benefits of improved quality of services are large market shares, increase in profits and increase in customer retention. It, therefore, becomes crystal clear that quality service and customer satisfaction are the most important indicators of cementing relationship between the organization and its customers. This is because, in today's business environment, the traditional passive role of the customer in market transactions has shifted towards a more active stance because of information availability, globalization, and access to diverse networks. With the internet, the customers can easily access, select, and compare information concerning the available offer of products and services. This scenario offers them greater opportunity for choice-making, making them less loyal to a particular financial institution, and more demanding of products and services that satisfy their specific needs and time schedules. Specifically, the study sought to:

- i. Ascertain the influence of competitor intelligence on market share in deposit money banks in South East, Nigeria.

A study on Firm Structural Characteristics and Financial Reporting Quality of Listed Deposit Money Banks in Nigeria was conducted with the view to discovering the effect of structural characteristics on the quality of financial reporting in listed deposit money

banks in Nigeria. To determine the effect of the size of listed Deposit Money Banks in Nigeria on the quality of their financial reports, to examine the impact of debt financing on financial reporting quality of listed Deposit Money Banks in Nigeria and to evaluate the relationship between financial reporting quality and the age of listed deposit money banks in Nigeria are the specific objectives that will assist to achieve the main objective of the study. Further, the study hypothesised that there is no significant relationship between firm age, firm size, A correlational research design is very appropriate for this study because it is used to describe the statistical association between two or more variables. The use of this design will allow for the testing of expected relationships between and among variables and the making of predictions regarding these relationships. The study covers thirteen out of the fifteen listed deposit money banks in Nigeria as at the financial year ended 2014 and determines the relationship between firm structural attributes and financial reporting quality. The overall conclusion of the research therefore, is that firm structural characteristics have no significant relationship with financial reporting quality of listed deposit money banks in Nigeria⁶⁶.

The study directed on the Effect of work-life balance on performance of money deposit banks in south-south Nigeria with the view to examining how work-life balance impact on the performance of money deposit banks in the South-South region of Nigeria. The study explained work life balance as the effective management of difference responsibilities at the place of work, home and other area of life. The work life balance is an important concept required by the employees and the organization itself. During a period of inflation, an entity hope for higher productivity and will require the support of employees and staffs with an enhanced work-life balance because they will contribute more meaningfully towards the organizational growth and success. The term work-life

balance is commonly used as a more comprehensive expression to describe policies that have been previously termed “family-friendly”, but are now extended beyond the scope of the family. The study also established that family and work are the most considerable factors in life and as such, became the object of the research. However, the continuous change of the economic environment and increasing level of competition in the banking industry has impacted on staffs and management which comes with lots of work content and effort to meet customer demands and the organization target has led to a degrading attention to the other side that makes a work-life balance.

The objectives specifically identified for the study include:

- i. To examine the nature of relationship between alternative work arrangements and goal attainment in money deposit banks in the South-South of Nigeria,
- ii. To establish to what extent managerial support affect goal attainment of money deposit banks, South-South, Nigeria.

The study made use of descriptive survey research design. This design is deem appropriate for the current study because the population and sample of the study are spread across different locations within South- South of Nigeria. The population comprises of 1,843 staff of the deposit money banks in the South-South region of Nigeria including Akwa-Ibom, Bayelsa, Edo, Data and Rivers. Data for the research were gathered from both primary and secondary sources of one thousand eight hundred and forty three (1,843) staff population of twelve (12) money deposit banks in South-South zone. The result shows that work life balance demonstrated a great significant effect on the Performance of money deposit banks as the dimensions alternative work arrangement such as compress work weeks, telecommuting, flexi time, job sharing and managerial supports predict employee goal attainment. Based on the findings, the study

recommends that management should judiciously adopt and implement alternative work arrangement in order to offer a family-friendly atmosphere to attract and retain qualified employees to increase productivity¹⁴.

The effect of the qualities of Audit Committee on the quality of Financial Reporting of Deposit Money Banks in Nigeria was examined to discover the effect on the qualities of audit committee of expertise, frequency of meetings, independence, attendance and size on the attributes of deposit money banks in Nigeria. The researched deposit money bank's employees of the top ten banks depending on asset capitalization were sampled during the period 2008-2017. Data was obtained from the audited financial statements and director report and the data are analyzed using ordinary least square regression. The result of the evaluation revealed that the qualities of the audit committee and the audit committee's independence on the quality of the financial reporting of the deposit money banks in Nigeria is negative and not significant. Also, the evaluation of the quality of the audit committee size and frequency of meetings on the financial reporting is positive, though not significant²⁶.

The study conducted on credit facilities granted by deposit money banks and output of agriculture in Nigeria with the view to evaluating the impact of deposit money banks credit

on agricultural sector in Nigeria for a research period from 1985 to 2015.

The specific goals of the research are as identified below:

- i. To evaluate the impact which deposit money bank's credit has on agricultural output in Nigeria within the period of this study.

ii. To determine the effect of interest rate on agricultural output in Nigeria within the same period of study.

Secondary data for the data for the survey during the period from 1985 through to 2015 were obtained from the Central Bank of Nigeria bulletin. A three-stage evaluation which seek to establish the relationship deposit money banks credit and agricultural output in Nigeria was followed.

The initial level was to check for the order of integration of the variables using Augmented

Dickey Fuller Unit Root test, the second stage was to check for the possibility of a long run relationship using Johansen co-integration test and the final stage was to adjust for the

short run error to long run equilibrium relationship amongst the variables.

The research analysis using rate of interest revealed that there is a negative insignificant relationship between credit facilities of deposit money banks and agricultural output.

Also, the coefficient of money supply is positive and significantly related with agricultural output. Subsequent to the foregoing findings, the research recommended a continuous and consistently adopting a policy for the primary-agricultural and agro-allied

sector, particularly in government allocation from the budget and sector financing credit program including the use of single digit target rate of interest target¹⁷.

A survey conducted on the effect of internal control systems on financial performance of distribution companies in Kenya was conducted to examine the effect of internal control system on the financial performance of distribution companies in Kenya. The survey agreed to the general consensus that internal Control systems are important

management tools in financial management despite the controversy as to why there is a declining profitability trends among Small and Medium scale Enterprises (SME) despite government's commitment to availability of funds. The study critically observed from other survey conducted the available statistics provide that there was a significant increase in profitability of small and medium scale Enterprises in Kenya. The main objective was to analyze the effects of internal control systems on financial performance of small and medium distribution companies. The specific objectives of the study were to: determine the effect of control activities; find out the effect of risk assessment; establish the effect of information and communication on financial performance Moonbluez Enterprises Limited. The study was anchored on Agency and Reliability theory, and a conceptual framework showing the interaction between internal control systems as the independent variable and financial performance as the dependent variable. Correlational and case study design was adopted targeting all the thirty eight employees while employing census survey technique. Primary data was collected using questionnaires and secondary data was collected from relevant books, journals and periodicals. Reliability and validity of the instrument was checked using test-retest technique and expert reviews and Pilot study was conducted of the 4 employees of Moonbluez enterprises. Descriptive statistics such as mean and standard deviation and inferential statistics such as Pearson's correlation and multiple regression analysis was employed to analyze the data. Presentation was done by the use of tables and charts. The results of the study may help identify gaps within the systems of internal control at Moonbluez Enterprises Limited and in the distribution

industry at large especially among small and medium sized entities. Further the study may

also add to the existing knowledge bank regarding book keeping, internal controls and financial performance among small and medium sized enterprises in Kenya. Scholars and researchers who would like to carry out more studies on internal Controls and financial performance in small and medium sized entities may find the study beneficial⁵⁴.

A research on the determinants of Listed Deposit Money Banks' profitability in Nigeria was examined. The survey among other discoveries identify the need for the listed Deposit

Money Banks in Nigeria require further investigations that will aim at giving consideration

to determinants of bank profitability. Therefore, it was suggested that more variables like inflation and credit risk have to be given consideration when analyzing the profitability of money deposit banks.

The study, therefore, focused on Nigeria since similar other researches are conducted in a developing countries. The main objective of the study is to examine factors determining the level of profitability of listed deposit money banks in Nigeria. Majorly, the objectives specifically highlighted for the for the study are:

- i. Examine the impact of the required capital on profitability of listed Deposit Money Banks in Nigeria.
- ii. Identify the effect of Credit Risk on the level of profitability of listed Deposit Money Banks in Nigeria.
- iii. Evaluate the impact of general increase in price level on the level of profitability of listed Deposit Money Banks in Nigeria.

The study used panel data of fourteen deposit money banks whose shares are quoted in

the Nigerian Stock Exchange. The audited financial statement of the banks which includes their income statements, statements of financial position and other financial details was the source of secondary data collected to analyze the objectives of the research. The independent variables are represented with credit risk and inflation rate. Profitability level which measures by Return on Asset (ROA), is the independent variable. The study adopts Correlational research design to examine the determinants of profitability of the deposit Money Banks. Panel data techniques (fixed and random effects model) were employed to determine the impact of insider factors on profitability of the randomly selected quoted Deposit Money Bank in Nigeria. The research found that capital requirement or adequacy for profitability of listed deposit money banks is positive and that deposit money banks in Nigeria have capacity to retain capital, absorb loan losses, support future growth of assets and also produce returns to the equity holders. In order to sustain these values, the finance and banking sector regulatory agencies should ensure and enforce strict adherence to the required reserves capable of absorbing loan losses and guiding against other negative emergencies in the economy⁵⁶.

Deposit Money Banks and Economic Growth in Nigeria was researched to ascertain the extent to which sectorial credit allocation by deposit money banks have influenced growth in the economy. Time series data covering the period 1973-2011 for deposits money banks credit in Nigeria and per capital gross domestic product were analyzed within framework of Engle-Granger Representation Theorem; the estimated a co-integrating regression using the ordinary least square estimator, and then investigated the presence of a co-integration relation by evaluating the stationarity of the estimated residual series. The findings indicate that credit allocation to the production sector is significantly promoting economic activity⁵⁷.

The study on Unclaimed Dividend, Profitability and Firm Net worth of Quoted Deposit Money Banks in Nigeria with the aim to determining the effect of unclaimed dividend on profitability and value of the firm of selected deposit money banks (DMBs) which are listed in the Nigerian Stock Exchange (NSE). The ex-post facto research design was adopted for this study. The population of constitutes of all the quoted deposit money banks (DMBs) in the Nigerian Stock Exchange over a period of five years covering 2012 to 2016 as covered in the study. for the 5 year period (2012-2016) covered by this study. Nine of the banks were selected for the study and the study found that there is no significant relationship between unclaimed dividend and profitability, similarly it was also observed that no significant relationship exists between unclaimed dividend and firm value of the selected banks decisions⁵³.

An examination of the Effects of Monetary Policy Instruments on Lending Behavior of Quoted Deposit Money banks in Nigeria was conducted to examine the impacts of the traditional monetary policy instruments such as the Cash Reserve Ratio (CRR), Monetary Policy Rate (MPR) and Open Market Operation (OMO) on the lending behavior of quoted Deposit Money Banks (DMBs) in Nigeria Deposit Banks in Nigeria. The study viewed utilization of monetary policy instruments as a regulatory of value, supply of money as well as cost of money in nation's economy and among the various monetary instruments available to the Central Bank of Nigeria (CBN), the effect of the traditional monetary policy instruments such as the Cash Reserve Ratio (CRR), Monetary Policy Rate (MPR) and Open Market Operation (OMO) is studied on the lending behaviour of quoted Deposit Money Banks (DMBs) in Nigeria. The survey made recommendation to

the Central Bank of Nigeria (CBN) to re-evaluate the application of the Cash Reserve Ratio

(CRR) and Open Market Operation (OMO) as the major monetary policy instruments given

that aim and goal of the policy is to have a significant effects on the lending of the quoted

Deposit Money Banks. It also recommended that the policy rate should also be reviewed often to the optimum level which will that borrowing and lending allows for access to the required finances in the economy.

Ex-post facto and causal research designs are used on data collected from the audited financial statement and directors reports of the selected deposit money banks for a ten year

period running from January 2007 through to December 2016.

Panel regression was used on the panel data collected and it was found from the random effect model that Cash Reserve Requirements. The study finally found a significant positive effect of exchange rate on lending behavior of quoted Deposit Money Banks in Nigeria. This means that loans and advances to customers of quoted Deposit Money Banks

in Nigeria increases as exchange rate increase bank performance²⁵.

Credit Risk Management and the Performance of Deposit Money Banks in Nigeria: An Error Correction Analysis was the survey conducted to investigate the impact of credit risk management on the performance of deposit money banks in Nigeria. Nigeria using the Error Correction Mechanism and Granger causality techniques in addition to the IRF and Variance Decomposition methodology. Data for the study were sourced from the Central Bank Nigeria Statistical Bulletin and the Annual Reports and Accounts of the Nigerian Deposit Insurance Commission for the period 1989 to 2013. The findings report

no evidence of significant granger causality relationship between the various credit risk management indicators and the various measures of performance except for a uni-directional granger causality relationship from Return on Equity to RNPD and from ROTA to RNPS respectively⁴⁵.

Also, the Effect of Companies Income Tax on Profitability of Deposit Money Banks (DMB's) : A study of DMB's with International Operating License in Nigeria was studied with the aim to examine the effect of Companies Income Tax on Profitability of Deposit Money Banks in Nigeria: The Specific objective is to ascertain the nature and strength of relationship between Company Income Tax (CIT) and the Nigeria deposit money bank's Return on Assets. Analytical approach was used in data collection and evaluation in arriving at research objective. The result shows that: there is exist a strong positive relationship between CIT and Corporate Profitability of Deposit Money Banks (DMB's) in Nigeria⁷.

The study on the nexus between bank size and financial performance: whether internal control adequacy matter was carried out to analyze the controlling effect of internal control appropriateness on the connection between bank size and financial performance. It adopted an ex-post facto research design since secondary data were obtained from available year end reports of ten deposit money banks in Nigeria over a period between 2006 and 2017. Data gathered by the researcher were evaluated using both descriptive and multiple regression analysis inferential statistics. The outcome of the evaluation revealed that variables representing bank size such as the aggregate assets, size of employees and value of deposits from customers had a summed impact on the return on asset for financial performance. The internal control adequacy on the other hand brought

about an improvement to the financial performance of the deposit money banks. The study therefore, confirmed that all the dependent variables have combined effect on the financial performance of banks¹.

A particular research, using the Agency Theory, was carried out to examine the impact of internal control on financial performance in tertiary institutions in Kenya and a case study research design. The study confirmed that tertiary institutions' Internal Audit Units in Kenya are not adequately equipped and staffed. The study further discovered that the unit is not independent because of management influence in the recruitment for the internal audit unit. The study then pushed for internal audit department to be adequately equipped with competent and sufficiently staffed, and management intervention and influences be removed from the recruitment process for the internal audit unit³⁹.

Similar research in Kenya also considered the role of internal control elements in Kenyan public universities. The study discovered an effective control system in public universities in Kenya. The study emphasized the need to have a continuous guiding training for the internal audit department and awareness training on internal control systems to ensure that all employees actively participate in executing policies that are consistent with the controls⁴².

A survey on the effect which internal control has on preventing occurrence of frauds in deposit money banks in Nigeria was conducted focusing on the risk assessment, information and communication and monitoring as the independent variables. The study analyzed its data using simple percentage and regression analysis. It was discovered that internal control elements have significant effect in preventing fraud perpetration in deposit money banks in Nigeria. Also, the survey reached a conclusion that should Nigerian

deposit money banks assesses and evaluate human resources management functions regularly, it will definitely cover the gaps opened for perpetrating fraud in the bank by the bank officials⁶².

A research was carried out on the impact of internal control systems on the financial performance of health institutions in upper west region of Ghana. The significance of upholding effective internal control system in organizations have been persistently and immensely emphasized, due to its positive effects on financial performance. Efficient internal control enables the prevention and detection of fraudulent activities in the institution. In line with this, persistent efforts by policy makers to pursue policies that would improve internal control system in the ministry of health have yielded abysmal results with regards to financial performance in health institutions in the Upper West Region of Ghana. This study sought to determine the impact of internal control variables on financial performance among five health institutions in the region using an ordered logistic regression model for a sample of fifty (50) respondents. We found a positive relationship between internal controls and financial performance. But only three of the control variables remained significant with p-values less than 5%. It is recommended that the governing body of the institutions, possibly supported by the audit reports implementation committee (ARIC), ensure that the appropriate internal control systems recommended by the auditors in health institutions are monitored periodically⁶⁰.

Internal control System and Financial Performance of Institutions of Higher Learning in

Uganda was conducted, using a case study of Monaco Business Institute. The study sought to establish a relationship between internal control and organizational performance of Monaco Business Institute. The study objectives were; to examine the effectiveness of internal controls used in Monaco Business Institute, to establish the level of performance in Monaco Business Institute and to establish a relationship between internal control and performance in Monaco Business Institute. A cross sectional survey was used in the course of the study. Both qualitative and quantitative data was gathered in order to establish the relationship between the independent and dependent variables, so as to examine how internal controls are used in Monaco Business Institute and therefore account for the performance levels. The study comprised of 30 employees and 20 management of Monaco Business Institute. Simple random approach was used during the study. Purposive sampling was also used to select only respondents for the researcher to attain the purpose of the study. Data was collected using both primary and secondary sources. After collecting data, the researcher organized well-answered questionnaire, data was edited and sorted for the next stage. The data was presented in tabular form, pie charts and bar graphs with frequencies and percentages. The researcher used Statistical Package for Social Sciences (SPSS) to analyze the relationship between the variables under study. It was concluded; the study findings indicated that the internal controls used in Monaco Business Institute were ineffective and unsatisfactory, the level of organizational performance was found to be inadequate and a significant positive relationship between internal controls and organizational performance was established to exist. It was recommended that; management of Monaco Business Institute should design effective internal control systems through ensuring that adequate asset listings is done by management, capital assets purchased are approved by appropriate level of management and asset numbering is done to show location and protection of the assets; management

ensures that it strengthens strategies aimed at improving organizational performance in all categories of staff; management should appreciate the X findings in the relationship between internal controls and organizational performance to ensure its continued production in a competitive industry in Uganda²³.

Internal control systems are put in place to ensure safe custody of all assets, detect, and safeguard against probable frauds. Commercial banks in Kenya are struggling with liquidity problems, untimely financial reports, and inefficient accountability for the firm's financial resources. Financial and accounting issues, such as financial misappropriation and fraud are currently rife in the Kenyan commercial banks. In the recent past, CBK had put three banks under receivership. The study, therefore, sought to determine the effect of internal control systems on the financial performance of commercial banks listed at Nairobi Securities Exchange (NSE), Kenya. The specific objectives of the study were: to determine the effect of control environment, control activities, Information Technology and monitoring of controls on the financial performance of commercial banks listed at NSE, Kenya. In this study, internal control system was measured by control environment, control activities, ICT, and monitoring. Financial performance was measured by Return on Assets, Net Income, and liquidity. Both the primary and secondary data was collected. Primary data was collected from the key informants (bank managers) and other employees of the listed banks using questionnaires. A purposive random sample of 55 respondents was used. Secondary data was extracted from bank websites, CBK and NSE websites, annual reports, and audited and published financial reports. The findings were analyzed using both descriptive (cumulative frequencies, percentages and measures of central tendency, such as mean, and standard deviation) and inferential statistics such as multiple regression and variance analyses with aid of Statistical Package for Social

Sciences (SPSS) version 21.0. The study found that there was effect between control environment, control activities, ICT, and monitoring and the dependent variables; return on assets, net income and liquidity as was indicated in the regression analysis. The findings indicate a not significant effect between a unit increase in control environment and an increase in financial performance of commercial banks, the banks standard operating procedures, ethics and integrity, commitment to shareholders interests and organization created a control environment aimed at increasing the banks financial performance. The findings further indicate that there was a not significant effect between control activities such as Approvals and authorization, Verification, Reconciliation, Maintenance of records, Segregation of duties lead to increase in financial performance of commercial banks. The findings further indicated that improved ICT infrastructure, effective and efficient Procedures, had a significant and positive effect on increased commercial banks financial performance, however, capacity building and enhanced communications could still be improved to ensure optimum results, and further the findings indicate that Internal Audit, Self-assessment, Peer review were the major monitoring activities and had a positive significant effect on increased financial performance of commercial banks listed at NSE Kenya. The study concludes that internal controls systems have an effect on financial performance financial performance of commercial banks however, control environment and control activities do not have a significant effect on financial performance of commercial banks and little attention should be paid on them. This study recommends that commercial banks listed at the Nairobi Securities Exchange should re-evaluate their internal controls systems and strengthen their weak areas so as to improve their financial performance.²⁴

The study conducted on Internal Control and Fraud Prevention with the view to assess the

effect of internal controls on fraud prevention. The survey made use of questionnaire for data collection and combined purposive and random sampling methods to obtain samples from its population. The questionnaire was administered on thirty five management staff among which was the internal auditor. The study emphasized the type of internal controls such as detective internal controls, corrective internal controls, directive internal controls and compensating internal controls. The detective controls include measures which are target at establishing and discovering irregularities like misappropriations, errors, and where possible, frauds. These type of controls are essential and cannot be undermined by management. Post audits, validation and exceptional reporting are good examples through which detective controls are implemented. A good detective control provide evidence that a loss has been occurred and sustained without prevention for the occurrence of the loss. Various ways of carrying out detective controls are through a thorough reviews of records and third party documents, analyzing differences into causes, reconciliations of records with ledger balances, physical counting of inventory and regular continuous audit. The Preventive internal control specific and general measures identified by management to prevent act of noncompliance and to serve as a deterrence to the users. Preventive controls includes directives, policies, guidelines, process and procedures. Risks identified with errors, unintentional mistakes and organized deliberate mistake (that is frauds) are the challenges intended to be corrected and prevented by preventive controls. At times, preventive controls are identified with segregation of duties, proper authorization and approval of every transactions, documentation and verification of assets and liabilities resulted from every transaction. While corrective internal controls are measures that seek to providing solutions to unforeseen and other regular problems that might occur within the system, directive controls are procedures and policies established by the board with the view to promoting and enhancing compliance the organization rules and regulations.

The outcome of the study was that significant numbers of the respondents aligned to management ensuring that necessary and effective measures relevant to discovering and preventing are put in place²⁶.

The efficiency of internal control in improving access to business wealth and sustainable profitability is already documented in several studies. The earlier research at large based on private company. The main objective of this study is to assess whether internal control contributes to the profitability of private companies, the specific objectives are to examine the factors affect internal control in Alpha Computer Ltd, to assess efficiency and effectiveness of Alpha Computer Ltd; to analyze relationship between internal control system and profitability in Alpha Computer Ltd. This research is significant to the researcher, Alpha Computer and future researchers. The research was carried out in Nyarugenge District and considers period scope of 2011 – 2013. This research was designed under case study; both qualitative and quantitative were used. It used both descriptive and correlational statistics. The targeted population and sample size under study was 77. Both primary and secondary data were used through data collection and research instrument. Data were analyzed using descriptive statistics with the help of SPSS program and presented using tables. This study found the benefits brought by internal control to Alpha Computer Ltd, whereby 83.8% of respondents confirmed that internal control increases product competitiveness on the market. The drivers that influence financial internal control in Alpha Computer Ltd, this research found out that 52.7% perceived that board leadership structure affect internal control in Alpha Computer Limited. According to the second research objective, the challenges of internal control faced by Alpha Computer Limited performance, this research found out that employees' turnover rate is among of the challenges of internal control and performance in Alpha Computer Ltd. Therefore, the respondents confirmed that internal control is challenged

by both internal and external operating environment factors, 70.3% strongly agreed that increment in market size affect internal control in Alpha Computer Ltd. The researcher found that the correlation coefficient equals to 0.803, this leads to confirm that there is a positive and very high correlation (relationship) between internal control and Alpha Computer Ltd performance. This study also used secondary data and found that the level of profitability was not bad in Alpha Computer Ltd. The study recommended that Alpha Computer Ltd should analyze the challenge of performance such as, employees' turnover rate, increment in market size, employees' retention, product competitiveness at the market, so that its level of internal control will increase in the industry

A study on the performance of deposit money banks and liquidity management in Nigeria was conducted on selected public quoted deposit banks of Nigeria. The study uphold that banking system in Nigeria is stunned with high level of poor management of liquidity which made the Central Bank of Nigeria (CBN) to initiate a recapitalization of banks then from minimum capital base of two million naira to twenty five million naira. This process enables the banks to embarked on merger and acquisition to allow some of the banks to meet up with this requirement. Furthermore, the apex bank, in 2019, introduced reforms to boost a robust financial system. The objective of the this policy is to enhance stability in the banking system, ensuring equitable governance and restoring confidence in the nation's financial system. The study identified profit maximization-focus objective as a major problem of most Nigerian money deposit banks than appreciating liquidity measures to meet the demands of their customers and fulfilling their obligations to their clients as and when due. The consequence of which was significant loss of their customers. This study, in its empirical studies, evaluated the relationship between

liquidity management and firm's performance to expose the manner of a relationship that exists between the both. In line with extant studies, liquidity management was proxied by capital ratio, current ratio and cash ratio, while performance was proxied by profitability, which was measured by return on assets. The study used secondary data which were extracted from the published financial statements of fifteen deposit money banks out of population of seventeen deposit money banks listed on the Nigerian Stock Exchange for six years between from 2012 through to 2017. The descriptive research design was used. Data collected was analyzed adopting ordinary least square method (OLS). Liquidity management here was determined using capital ratio (CTR), current ratio (CR) and cash ratio (CSR). Performance, on the other hand, measured using return on assets (ROA). Based on the results of the study, liquidity management proxied by capital ratio, current ratio and cash ratio and performance of the firm proxied by return on assets are positively related. The result shows that liquidity management is an essential factor in business operations and consequently leads to business profitability. Hence proper liquidity management helps solve the agency theory problem of agency costs that arise when control of companies is separated from the ownership, whereby managers are able to employ the firm's resources for personal gains instead of maximizing the value of the firm or the shareholders' wealth⁵⁸.

A research on influence of internal control systems on financial performance on farmers' association in Kenya was conducted to examine internal control systems adopted to forestall assurance of safe custody of assets, discover and safeguard against potential frauds. Focus on the challenges facing Kenya Farmers Association (KFA) Limited such

as liquidity problems, late preparation and presentation of financial reports that has no impact on decision making, and inefficient accountability for the firm's financial resources prompt the aim and objective of this research to target establishing the influence of internal control system on the financial performance of farmers' association in Kenya using Kenya Farmers Association Limited as a case study. The study uphold that where organization determines to maintain integrity and a clear ethical values reflected in its organization code of conduct, the internal control will take a greater importance in such environment. The research described internal control system in two variables which include the control environment and the control activities. Target population was seventy eight managers in this explanatory research. Census design was adopted. Data were analyzed using inferential and descriptive statistics. The results revealed that the staffs were not trained to implement the accounting and financial management systems; and that the security systems do not identify and safeguard organizational assets. The results further showed that there is a positive relationship between internal control systems and financial performance of Kenya Farmers Association Limited. The control environment and control activities contributed to 61.3% of the variation in financial performance. Study found that management of Kenya Farmers Association Limited is not committed to the internal control systems actively. The study recommends more commitment by management in monitoring internal control systems, and employment of more graduates⁴¹.

A research of internal control systems, working capital management and financial performance of supermarkets in was conducted in Uganda. The researchers saw that

supermarkets in Uganda are prevalently facing poor financial performance in terms of low profitability, inadequate liquidity and reduced returns on equity which has led to the closure of certain giant supermarkets. Further, majority of supermarkets are facing financial crises though they opt not to disclose owing to the adverse impact on the shareholder's wealth, fear of damaging their reputation and losing public confidence. This has prompted the objective of this research to examine the contribution made by the internal control systems and working capital management on financial performance of supermarkets. This study is cross-sectional and correlational, and it uses firm-level data that were collected by means of a questionnaire survey from a sample of 110 supermarkets in Uganda. Results suggest that working capital management is a significant predictor of financial performance. Contrary to previous thinking internal control systems do not significantly predict financial performance. Therefore, once organizations have appropriate working capital management, they are also likely to have adequate internal control systems that enhance financial performance. This study focuses on supermarkets in Uganda, and it is possible that these results are only applicable to the supermarkets. More research is therefore needed to further understand the contribution of the internal control systems and working capital management on financial performance in other sectors. The results are important for internal control and working capital policy development, for example, in terms of prescribing the internal control systems and working capital requirements for the organizations to enhance financial performance. Internal control systems and working capital management have apparently hitherto been the subject of limited consideration by most supermarkets in Uganda. Nevertheless, this

study, in possibly the most thorough treatment so far, highlights the areas requiring improvement to enhance financial performance.

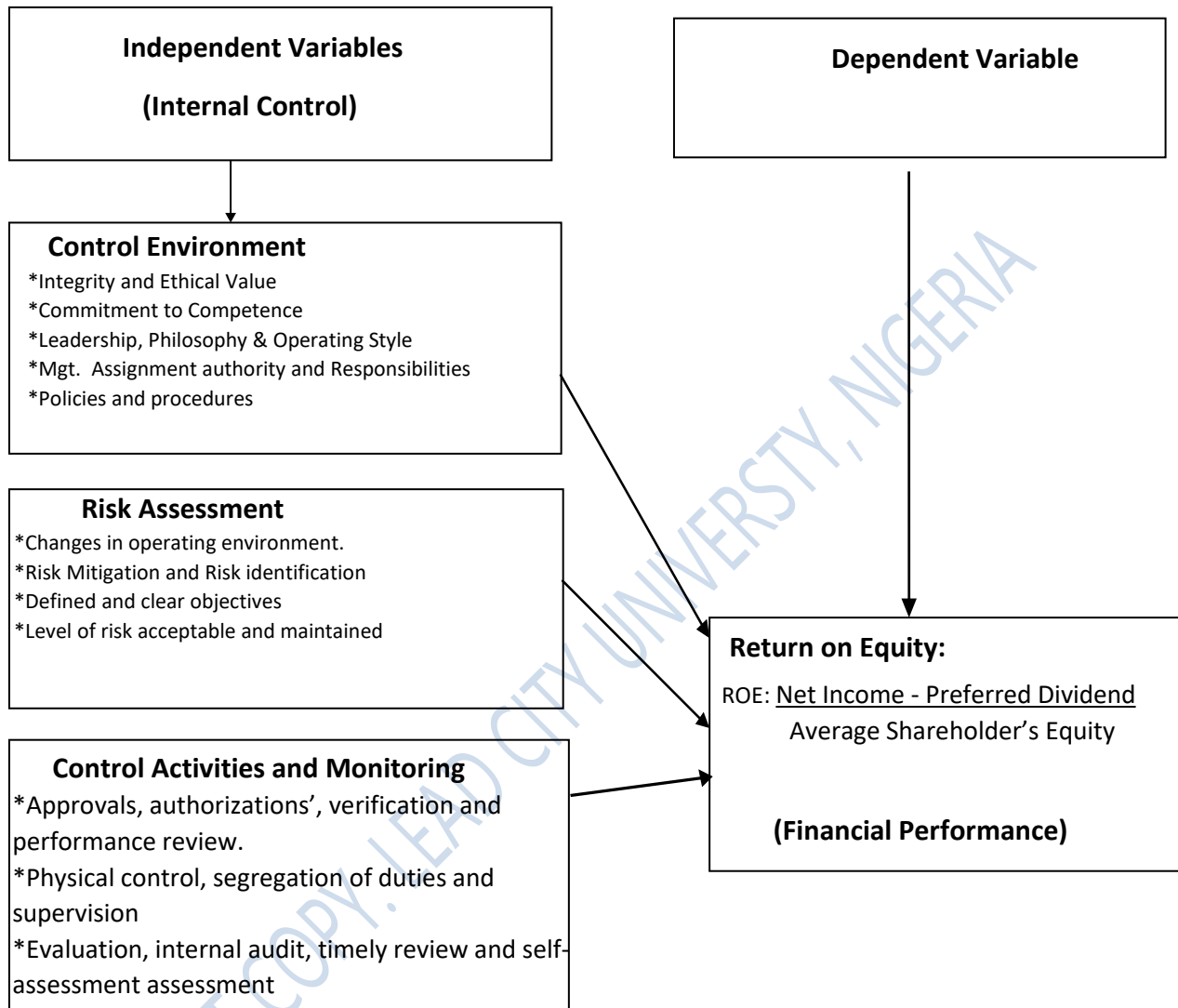
2.4 Conceptual Framework

This study is centered around principles that suggest a relationship between Internal Control and Financial Performance on Money Deposit Banks in Nigeria. Internal Control by its nature is an object that can independently exist and used as a yardstick to for establishing performance of an organization. Therefore, Internal Control, in this study, is considered as the Independent Variable. For the purpose of this study, Internal control is defined as a self-designed set of policies, guidelines, rules and procedures to be followed in the day to day running a business with the aim of ensuring integrity of financial and non-financial information which seeks to promote accountability, minimizes error and prevent fraud. Internal control can be an effective measure that many companies and banks adopt to ensure correctness in information provided for both internal and external consumption. Internal control guarantee timely and accurate availability of information. When an organization publishes and presents its annual report, it is the summarized form of how it performs throughout a quarter or year. The data revealed becomes one of the most important factors in setting up corporate collaborations that potential investors and stakeholders seek interest in. If the information provided is incorrect or misleading, the stakeholders feel cheated, which ultimately affects the organization's reputation. Internal control locus includes principles, procedures, and policies that specify a set of manual labors or instructions to identify the loopholes and rectify them before it is used for decision making either by stakeholders or the companies themselves

There are ways to evaluate the performance of banks as an organization. This study concentrates on measuring the Financial Performance among other performance measures. The strength of financial performance will depend on the management, policies and controls the organization has in place. Financial Performance is the dependent variable for this study.

This study see an effective internal control system place focus on the need to preventing occurrence frauds, errors and misappropriation. It discovers potential and actual problems and proposed a relevant and corrective actions. As it were in practice, this study will see process owners within an organization and departments are responsible for performance of the controls and relate with the control structure from time to time because this recurring exercise most of the time, unintentionally becomes controls which are incorporated into the system.

Figure 2.4.1 Diagrammatic Representation of Dependent and Independent Variables



2.5 Summary of Gaps in Literature Reviewed

Scholarly literatures reviewed had been able to analyze the efficiency of loan recovery rate, credit risk, corporate tax and effect of capitalization on deposit money banks in Nigeria. Data gathered were analyzed using regression analyses and model were equally formulated.

However, there was an insufficient studies such that the literatures were unable to appraise the Impact of Internal control on the financial performance of Deposit Money Banks in Nigeria. In view of this, this study will examine the impact of internal control on the financial performance of deposit money banks in Nigeria using purposive random sampling technique.

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Chapter Three

Methodology

3.1 Research Design

The study adopted a descriptive survey as a research strategy. Primary data required for the research work was sourced through administration of a well-structured questionnaire using a purposive sampling technique for the sample for the deposit money banks in Nigeria. Descriptive statistics (simple percentage, mean and standard deviation) and Ordinary Least Square (OLS) regression analysis at 0 percent level of significance.

3.2 Population of the Study

This study focuses on the impact of internal control on the financial performance of listed DMB's in Nigeria. The study population shall be all banks whose shares are listed, quoted and traded on the floor of the Nigeria Stock Exchange (NSE). The population of the study comprises of the entire Deposit Money Banks in Nigeria up till 31st December 2020. This amount to Twenty four (24) banks, comprises of eight commercial banks with International Authorization in Nigeria, twelve commercial banks with National Authorization in Nigeria and four commercial banks with Regional Authorization in Nigeria.

3.3 Sample Size and Sampling Technique

The sample size for this study shall consist of two hundred structured questionnaire from fifteen (15) banks. The purposive random sampling will be used to define the sample frame as the researcher determined to obtain information from respondents in senior

management, middle level management and member of internal control departments in each of the selected banks.

3.4 Method of Data Collection

Primary source of data will be used to provide background information required and relevant for this research. Primary data will be obtained using a structured questionnaire which will be distributed to the personnel of the selected banks which will include the senior management level, middle management categories and staff in the internal control section.

3.5 Model Specification

The model for this research work shall include self-explanatory variables. The variables shall be the independent variables which are Control Environment, Risk Assessment, Control Activities and Monitoring, while Financial Performance (FP) shall be the dependent variable.

Therefore, the model for the research is as expressed below:

$$Y = \beta_0 + \beta_1 CE_1 + \beta_2 RM_2 + \beta_3 CAM_3 + \mu$$

Where:

Y = Financial Performance

β_0 = Intercept (constant)

β_1 - β_3 = measurement of sensitivity of the components of internal control (independent variable X) to financial performance (dependent variable Y)

CE₁ = Control Environment

R_2 = Risk Management

CAM_3 = Control Activities and Monitoring

μ : Error Term for the model

3.6 Research Instrument for Data Collection

Questionnaire is the instrument to be used in gathering data for this study. The questionnaire will be divided into section A and B. Section A will contain questions pertaining to useful demographic variables While section B will consist of structure questionnaire using closed ended 5 point Likert-Scale which allows for Strongly Agree (SA), Agree (A), Undecided (U), Disagree (D), Strongly Disagree (SD) responses from respondents.

3.7 Validity of the Instrument

To ensure that the research instrument is valid, it will be properly scrutinized by the project supervisor and an independent expert from the field so as to ensure that the content is well covered and for constructive criticism. Corrections were effected on the questionnaire for further improvement. This actually helped at ensuring content and face validity of the instrument.

3.8 Reliability of the Instrument

The consistency of the research results using difference statistical measures and the outcome of inferential statistics not varying in their findings. Data gathered on both the dependent and the independent variables which were analyzed using mean and standard

deviation within their respective minimum and maximum values. The mean of the financial

performance index was 3.4267 within the minimum and maximum value of 1 and 5. This outcome is consistent with and replicated by the standard deviation of 0.7679 which is less than 1. The above was further confirmed by the mean and standard for other independent variables as indicated in Table 4.10.

Furthermore, more the inferential analysis of the variable using regression analysis gave a results which are not materially difference from the outcome of the coefficient of variation and the probability value

3.9 Administration of Research Instrument and Method of Data Collection

Primary source of data will be used to provide background information required and relevant for this research. Primary data will be obtained using a structured questionnaire. This will be administered by through physical distribution of the questionnaire directly to the selected bank's personnel and the target respondents are the personnel at the management level, middle management categories and staff in the internal control section who will requested to provide information as required in the research instrument.

3.10 Method of Data Analysis

The study will adopts descriptive and inferential statistics in analyzing the data collected from

the identified respondents. Descriptive statistics will be involved summary statistics while regression analysis technique and analysis of variance (ANOVA) will be used as an

inferential statistics.

Chapter Four

Results and Discussion of Findings

4.1 Data Analysis and Interpretations

This chapter presents the results and interpretation of the analysis of data collected from the field survey that was carried out in this study to know the impact of internal control on the financial performance of Listed Deposit Money Banks in Nigeria. This chapter is divided into two major sections, Descriptive and Inferential analysis; The descriptive analysis presents the socio-demographic information and the summary statistics of the variables using statistical tools such as frequency, percentage, minimum, maximum, mean and standard deviation while Inferential analysis addresses the objectives and test the hypothesis stated in this study, regression analysis was used for the purpose of testing all the hypothesis.

4.1.1 Descriptive Analysis

This section contains the socio demographic variables, which gives a brief report on the respondents' background information like Gender, Age, Education qualification, Years of working in the bank, Position in bank etc. and also contains the summary statistics of the independent and dependent variables used.

4.1.1.1 Respondents' Gender

Table 4.1.1.1.1 presents the gender of the respondents. A total of 180 respondents participated in the survey, out of which 66 (36.7%) are male while the remaining 114 (63.3%) are female. This implies that the female respondents are more than the males.

Table 4.1.1.1.1 Respondents' Gender

	Frequency	Percent
Male	66	36.7
Female	114	63.3
Total	180	100.0

Source: Field survey, 2022.

4.1.1.2 Respondents' Age

In Table 4.1.1.2.2, the age of respondents that participated in the survey is revealed that most of the respondents are within the age group of 26 – 35years, 108 (60 %), this is followed closely by 36– 45years having 36 (20 %) respondents, then 46 – 55 years with 26 (14.4%), while respondents within the range of 18 -25, have the least respondents with 21 (5.5%) respondents.

Table 4.1.1.2.2 Respondents' Age

	Frequency	Percent
18-25	10	5.6
26-35	108	60.0
36-45	36	20.0
46-55	26	14.4
Total	180	100.0

Source: Field survey, 2022.

4.1.1.3 Respondents' Education Qualification

The education qualification of the respondents is revealed in table 4.1.1.3.3. Majority of the respondents, 142 (78.9%) have a HND/BSC qualification, while 32 (17.8%) respondents are M.Sc holder and the remaining 6 (3.3%) respondents are ND holders. This reveals that majority of the respondents are graduates of higher institutions and can easily understand the objectives of the study.

Table 4.1.1.3.3 Respondents' Educational Qualifications

	Frequency	Percent
ND	6	3.3
HND/BSC	142	78.9
MSC	32	17.8
Total	180	100.0

Source: Field survey, 2022.

4.1.1.4 Respondents' Years of Working in the Bank

In table 4.1.1.4.4, the number of years the respondents have been working in the bank is revealed. Half of the total respondents, 90 (50%) have been working the bank between 11 – 15 years, while 38 (21.1%) respondents have been working in the bank for 6 – 10 years. Also, 31 (17.2%) respondents have spent 16 – 20 years working in the bank while 11 (6.1%) respondents have worked in the bank for more than 20 years and only 10 (5.6%) respondents have below 5 years working experience. This implies that, large percentage of the respondents have more than 10 years working experience in the financial sector, hence they are qualified to give their opinion on the study.

Table 4.1.1.4.4 Respondents Years of Working in the Bank

	Frequency	Percent
5 years and below	10	5.6
6-10	38	21.1
11-15	90	50.0
16-20	31	17.2
21-25	11	6.1
Total	180	100.0

Source: Field survey, 2022.

4.1.1.5 Respondents' Position in the Bank

Out of the 180 respondents that participated in the survey, table 4.1.1.5.5 reveals that 106 (58.9%) are in Lower Level Management, 49 (27.2 %) are in Middle Level Management while the remaining 25 (13.9%) are in Top Level Management. The study therefore

shows that majority of the respondents are in Lower Level Management in their organization.

Table 4.1.1.5.5 Respondents Position in the Bank

	Frequency	Percent
Top level Management	25	13.9
Middle level Management	49	27.2
Lower level Management	106	58.9
Total	180	100.0

Source: Field survey, 2022.

4.2 Presentation of Research Questions

4.2.1 Presentation of Research Questions

The following is a representation of each research question and their corresponding outcomes derived from the study:

- i What is the impact of control environment on the financial performance of Deposit Money Banks in Nigeria?

Result: The control environment has an impact on financial performance of quoted deposit money bank in Nigeria. The study discovered a positive impact of such control environment on the financial performance of the quoted deposit money banks as an increase in control environment will cause increase to the financial performance.

- ii Does the level of risk assessment enhance the financial performance of quoted Deposit Money Banks in Nigeria?

Result: The risk assessment revealed that that risk management has no effect on the financial performance of quoted deposit money bank in Nigeria as the study discovered a negative relationship between risk assessment and financial performance of the quoted deposit money banks in Nigeria.

- iii How often does the Control activities and Monitoring put in place enhance the financial Performance of Deposit Money Banks in Nigeria?

Result: The control activities and monitoring often contribute to the improvement of the on financial performance of quoted deposit money bank in Nigeria. An increase in control activity and effective monitoring resulted to an increase in the financial performance of the quoted deposit money banks.

4.2.1.2 Summary Statistics of Financial Performance Index

The opinion of the respondents on the financial performance of their banks is presented in Table 4.2.1.2.6. Each of the statements listed in the table is used to compute the index for financial performance. The highest ranked statement is to know if “over the past years, the bank turnover has exceeded that of the competitors” with a mean value of 3.46 and standard deviation of 0.79. Although there are different opinions about this statement, however, most of the respondents were undecided, 79 (43.9%), while a large percentage, a total of 86 (47.8%), of the respondents agrees or strongly agrees with the statement. The

next ranked statement is to know the opinion of the respondents if “In the previous accounting years, there have been more profit for the bank than its competitors” with a mean value of 3.44 and a standard deviation of 0.793. The respondents opinion is similar to the previous statement, as most of the respondents, 83 (46.1%), are undecided while a total of 82 (45.5%), of the respondents agrees or strongly agrees with the statement.

The least ranked statement is on bank turnover growth over the past years, of which the respondents aligned with the previous statements. This table reveals that most respondents’ opinion on the financial performance of their bank is undecided; however there are more respondents who agree to those who disagree.

Table 4.2.1.2.6 Summary Statistics of Financial Performance

	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree	Total	Mean	Std. Dev
Over the past years, the bank turnover has exceeded that of the competitors	2 (1.1)	13 (7.2)	79 (43.9)	72 (40)	14 (7.8)	180 (100)	3.46	0.787
In the previous accounting years, there have been more profit for the bank than our competitors	2 (1.1)	13 (7.2)	83 (46.1)	67 (37.2)	15 (8.3)	180 (100)	3.44	0.793
Over the past years, the bank turnover growth has exceeded that of the competitors	2 (1.1)	17 (9.4)	83 (46.1)	64 (35.6)	14 (7.8)	180 (100)	3.39	0.808
Over the past years, return on equity has increased more than that of the competitors	2 (1.1)	13 (7.2)	90 (50)	61 (33.9)	14 (7.8)	180 (100)	3.40	0.781
In the past years, the expenses of the bank has reduced compared to the competitors	5 (2.8)	7 (3.9)	89 (49.4)	63 (35)	16 (8.9)	180 (100)	3.43	0.819

Source: Field survey, 2022.

4.2.1.3 Summary Statistics of Control Environment

As revealed in table 4.2.1.3.7, the most supported statement with the highest mean value is statement three (3) which reveals the opinion of the respondents on “If the roles and responsibilities are clearly stated for the employees” with a mean value of 4.09 and standard deviation of 0.452, from this statement it is discovered that a total of 171 (95.0%) of the respondents agree with this statement while only 1 (0.6%) respondent disagree and 8 (4.4%) are undecided about the statement”. The next supported statements are statements 1, 5 and 7 which all have the same mean value of 4.07 but standard deviation value of 0.431, 0.461 and 0.431 respectively. The least ranked statement is statement 4 “Are the BOD and its committee independent of management” in which majority of the respondents agree and only one respondent disagree with this statement.

In summary, a large proportion of the respondents agree with the statements in control environment with few disagreements and undecided opinions.

Table 4.2.1.3.7 Summary Statistics of Control Environment

	Disagree	Undecided	Agree	Strongly Agree	Total	Mean	Std. Dev
Is the Company's policies and procedures for carrying out management directives and activities are clearly spelt out to staff	1 (0.6)	8 (4.4)	149 (82.8)	22 (12.2)	180 (100)	4.07	0.431
Are transactions been executed in accordance with integrity and ethical values/codes	3 (1.7)	10 (5.6)	142 (78.9)	25 (13.9)	180 (100)	4.05	0.510
Does the roles and responsibilities clearly stated for the employee	1 (0.6)	8 (4.4)	145 (80.6)	26 (14.4)	180 (100)	4.09	0.452
Does the BOD and its Committee are independent of Management	1 (0.6)	19 (10.6)	136 (75.6)	24 (13.3)	180 (100)	4.02	0.512
Does the staff regularly trained and equipped with resources to carry out their duties professionally	2 (1.1)	7 (3.9)	147 (81.7)	24 (13.3)	180 (100)	4.07	0.461
Does the company have a code of ethical conduct that has been made available to all employee	1 (0.6)	10 (5.6)	148 (82.2)	21 (11.7)	180 (100)	4.05	0.439
Does the management actively follow-up on complaints from customers	0 (0.0)	11 (6.1)	146 (81.1)	23 (12.8)	180 (100)	4.07	0.431

Source: Field survey, 2022.

4.2.1.4 Summary Statistics of Risk Assessment Indices

The respondents' opinion on risk management is presented in Table 4.8. The statement with the highest mean value of 4.08 and a standard deviation of 0.447 is to know if “the bank defined

appropriate objectives for its organization. The opinions of respondents to this statement, has a total agreement of 169 (93.8%) respondents out of 180 respondents, while the remaining 11 (6.1%) are undecided. This implies that highest numbers of the respondents agrees with the statement that banks define appropriate objectives for their organizations. The next ranked statement as a mean value of 4.07 and standard deviation of 0.436, which is to know if “Banks have a functioning internal audit staff to review its operations”. The respondents opinion is similar to the previous statement, as most of the respondents, 171 (95.0%), agrees or strongly agrees with this statement while 8 (4.4%) respondents are undecided.

Other statements revealed in this table all have the same opinion, as most of the respondents agree or strongly agree to these statements than they disagree.

Table 4.2.1.4.8 Summary Statistics of Risk Assessment Indices

	Disagree	Undecided	Agree	Strongly Agree	Total	Mean	Std. Dev
Has the bank defined appropriate objectives for the organization	0 (0.0)	11 (6.1)	143 (79.4)	26 (14.4)	180 (100)	4.08	0.447
Does the bank identifies risks that affect achievement of the objectives in a timely manner	2 (1.1)	13 (7.2)	142 (78.9)	23 (12.8)	180 (100)	4.03	0.495
Does the bank have a criteria for ascertainment of the risks that are most criteria to the organization	5 (2.8)	7 (3.9)	145 (80.6)	23 (12.8)	180 (100)	4.03	0.527
Does the bank have in place mechanism of mitigating risks that may arise during	4 (2.2)	18 (10)	135 (75)	23 (12.8)	180 (100)	3.98	0.564
Is appropriate action taken as a result of the measurement in order to improve effectiveness	4 (2.2)	10 (5.6)	143 (79.4)	23 (12.8)	180 (100)	4.03	0.522

Does the bank have a functioning internal audit staff to review its operations?	1 (0.6)	8 (4.4)	148 (82.2)	23 (12.8)	180 (100)	4.07	0.436
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Source: Field survey, 2022.

4.2.1.5 Summary Statistics of Control Activity and Monitoring Indices

Table 4.2.1.5.9 presents the summary statistics of the indices used in computing the control activity and monitoring index. The result reveals that all the questions asked have an average (mean) value of 4, which mean that the opinion of the respondents on these statements tends to Agree. The highest ranked question has a mean and standard deviation of 4.11 and 0.416, which asked to know if “ controls are in place to check on incurring expenditure in excess of allocated funds”, a total of 173 (96.1%) out of the 180 respondents affirm this. However, the least ranked question with a mean and standard deviation value of 4.01 and 0.616 respectively asked “if monitoring help in assessing the quality of performance of the bank overtime”. In which majority of the respondents, a total of 165 (91.6%) agrees/strongly agree to this, 9 (5%) respondents disagrees and 6 (3.3%) are undecided.

In conclusion, majority of the respondents are on the affirmative with questions that have to do with control activity and monitoring.

Table 4.2.1.5.9 Summary Statistics of Control Activity and Monitoring Indices

	Disagree	Undecided	Agree	Strongly Agree	Total	Mean	Std. Dev
Has the security system identifies and safeguards the bank's asset	4 (2.2)	6 (3.3)	144 (80)	26 (14.4)	180 (100)	4.07	0.514
Are controls in place to check on incurring	0 (0.0)	7 (3.9)	147	26	180	4.11	0.416

expenditure in excess of allocated funds			(81.7)	(14.4)	(100)		
Does the communication helps to evaluate how well the guidelines and policies of the bank are working and are implemented	1 (0.6)	17 (9.4)	136 (75.6)	26 (14.4)	180 (100)	4.04	0.511
Do the employees understand the concept and importance of internal control including the division of labour?	1 (0.6)	9 (5)	144 (80)	26 (14.4)	180 (100)	4.08	0.459
Does the corrective action taken to address the weakness	0 (0.0)	10 (5.6)	144 (80)	26 (14.4)	180 (100)	4.09	0.440
Has the monitoring helped in assessing the quality of performance of the bank over time	9 (5)	6 (3.3)	139 (77.2)	26 (14.4)	180 (100)	4.01	0.616
Does the management closely monitoring the implementation of the internal control system of the bank	5 (2.8)	8 (4.4)	141 (78.3)	26 (14.4)	180 (100)	4.04	0.547

Source: Field survey, 2022.

4.2.1.6 Descriptive Statistics of the Variables

The summary statistics of the dependent variable, Financial Performance Index (FPI) and the independent variables, Control Environment (CEI), Risk Management (RMI) and Control Activity and Monitoring (CAMI), is presented in table 4.10. This discusses the minimum, maximum, mean and standard deviation of FPI, CEI, RMI and CAMI.

As revealed in table 4.2.1.6.10, financial performance has a mean value of 3.4267 and a standard deviation of 0.7679 while the minimum and maximum values are 1.00 and 5.00 respectively.

The table also shows that control environment Index (CEI) has a mean value of 4.0587 and it has a standard deviation of 0.4082 with minimum and maximum values at 2.43 and 5.000 respectively.

Risk Management Index (RMI) also one of the independent variables has a mean value of 4.0389.

RMI has a minimum value of 2.83, maximum value of 5.00 and standard deviation of 0.4436.

Lastly, Control Activity and Monitoring Index (CAMI) have a minimum and maximum value of 2.71 and 5.00 respectively. Also a mean and standard deviation value of 4.0627 and 0.4605 respectively.

Table 4.2.1.6.10 Descriptive Statistics of the Variables

	N	Minimum	Maximum	Mean	Std. Deviation
FPI	180	1.00	5.00	3.4267	0.7679
CEI	180	2.43	5.00	4.0587	0.4082
RMI	180	2.83	5.00	4.0389	0.4436
CAMI	180	2.71	5.00	4.0627	0.4605

Source: Field survey, 2022.**Note:** FPI=Financial Performance Index, CEI=Control Environment Index, RMI=Risk Management Index, CAMI=Control Activity and Monitoring Index

4.2.2 Presentation of Test of Hypotheses

4.2.2.1 Inferential Analysis

This section of the chapter discusses the testing of the hypothesis of each of the objectives using an Ordinary Least Square (OLS) Regression. The main objective of this study is to investigate the impact of internal control on financial performance of listed banks in Nigeria. However to achieve this, the following specific objectives are:

- i Examine the impact of Control Environment on the financial performance (ROE) of DMBs in Nigeria.
- ii Examine the level of Risk assessment on the financial performance of DMBs in Nigeria.

- iii Examine the Control activities and Monitoring put in place on the financial performance of listed DMBs in Nigeria.

In the regression, Financial Performance (FPI) is the dependent variable, while Internal Control is measured by Control Environment (CEI), Risk Management (RMI) and Control Activity and Monitoring (CAMI) as the independent variables. The model reveals an adjusted R-square of 0.442, which shows that 44.2% of the variation in financial performance is explained by the independent variables (Control Environment (CEI), Risk Management (RMI) and Control Activity and Monitoring (CAMI)). Furthermore, the F-statistics value of 6.059 is statistically significant at 1% ($p = 0.000$). This infers that the independent variables (Control Environment (CEI), Risk Management (RMI) and Control Activity and Monitoring (CAMI)) jointly explain the variation in Financial Performance (FPI).

The result for the regression of impact of internal control index on financial performance (FPI) as shown in table 4.11; reveals that Control Environment (CEI) has a positive relationship with FPI with a coefficient value of 0.328 which is statistically significant at 10% level of significance with a P-value of 0.0736. This therefore infers that CEI has an impact on FPI of quoted banks in Nigeria and an increase in control environment will cause financial performance to increase by 0.328 units.

In order case, a negative and insignificant relationship is seen in Risk Management (RMI) with a coefficient of 0.328 and a Probability value of 0.235. It reveals that risk management has no effect on financial performance.

Furthermore, Control Activity and Monitoring (CAMI) have a positive and statistically significant relationship with Financial Performance (FPI) with a coefficient and significant p-value of 1.024 and 0.004 respectively. This implies that a unit increase in Control Activity and Monitoring (CAMI) will cause Financial Performance (FPI) to increase by 1.024 units.

In conclusion, all the predictors seem to have a positive and significant relationship with Financial Performance (FPI) except Risk Management (RMI) which has a negative and insignificant relationship with Financial Performance (FPI).

Thus, the equation for this model is modified below:

$$\text{FPI} = 0.1011 + 0.3277\text{CEI} - 0.5361\text{RMI} + 1.0242\text{CAMI}$$

Table 4.2.2.1.11 Regression Analysis of Impact of Internal Control on Financial Performance

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.1011	0.5557	0.1821	0.8558
CEI	0.3277	0.1819	1.8016	0.0736
RMI	-0.5361	0.4491	-1.1936	0.2345
CAMI	1.0242	0.3483	2.9403	0.0038
R-squared	0.5291	F-statistic	6.0589	
Adjusted R-squared	0.4418	Prob. (F-statistic)	0.0000	
S.E. of regression	0.5737			

Source: Field survey, 2022. **Note:** FPI=Financial Performance Index, CEI=Control Environment Index, RMI=Risk Management Index, CAMI=Control Activity & Monitoring Index

4.2.2 Presentation of Testing of Hypotheses

Hypothesis One: Control Environment has no significant effect on the financial performance of DMBs in Nigeria.

Based on the p-value obtained, 0.0736, of the relationship of the control environment (CEI) on the financial performance (FPI), which is significant at 10%. The null hypothesis state that “Control Environment has no significant effect on the financial performance of DMBs in Nigeria” is hereby rejected. This implies that control environment has significant effect on financial performance.

Result: Since the p-value of this hypotheses is significant, the null hypotheses is rejected. Therefore, the control environment is concluded to have significant effect on the financial performance of listed Deposit Money Banks in Nigeria.

Hypothesis Two: There is no significant effect on the level of Risk assessment on the financial performance of DMBs in Nigeria.

Based on the p-value, 0.235, the relationship between the risk assessment (RMI) and financial performance (FPI), is not significant. This therefore accepts the null hypothesis that state that “Risk Assessment has no significant effect on the financial performance of DMBs in Nigeria”, which means that risk assessment has no significant effect on financial performance.

Result: The outcome of this hypotheses aligned with the null hypotheses raised because the p-value obtained is not significant. Therefore, the level of risk assessment is concluded to have no significant effect on the financial performance of Deposit Money Banks in Nigeria, thus accepting the null hypotheses.

Hypothesis Three: The Control Activities and Monitoring put in place has no significant on the financial performance of Deposit Money Banks in Nigeria.

Based on the probability value (P-value: 0.0038), of the relationship of CAMI on FPI, which is significant at 1%. The null hypothesis that states that “Control activities and monitoring has no significant effect on the financial performance of DMBs in Nigeria” is therefore annulled. This implies that control activities and monitoring have significant effect on financial performance.

Result: The p-value of this hypotheses is significant, the null hypotheses is, therefore, rejected. The Control Activities and Monitoring Activities are established to have significant effect on the financial performance of listed Deposit Money Banks in Nigeria and the null hypotheses is hereby rejected.

Finally, from the result presented, it is seen that control environment and control activity and monitoring will have an effect on the financial performance of the listed money deposit banks understudy.

4.3 Discussion of Findings

An attempt has been made to establish the relationship between the internal control element and the financial performance of Listed Deposit Money Banks in Nigeria with the aim to evaluating these internal control measures affecting the financial performance of the deposit money banks in Nigeria. The evaluation was conducted using regression analysis. The findings revealed that the financial strength of Listed Deposit Money Banks in Nigeria is significantly improved through the measures and elements of internal control system. This development can be traced to

the importance and rating for internal control. These controls are to secure sufficient and valuable measures in all manners are maintained and bank employees' efforts are directed towards compliance with these controls. The logical consequence of the above findings is that internal control elements the potential effect to influence changes in the financial performance of listed deposit money banks measured with reference to Return on Equity (ROE). The research findings is therefore, similar to and consistent with conclusion that internal control system measures aid in enhancing the financial performance of the bank¹. However, this findings does not agree with the outcome asserted that the relationship between internal control activities and financial performance is not significant. It was also discovered that the internal control system measures, especially control environment, information and communication contributed a significant and positive influence on the financial performance of Deposit Money Banks. Other internal control system measures and also have a positive and significant impact effect on the financial performance of banks. These findings leverage so much on risk assessment as a control measure upon which banks should improve their liquidity and profitability.

The deposit Money Bank in Nigeria play a macroeconomic role through efficient control their environment by ensuring and that internal control policies and recommendations and implemented at all time, getting information across to the junior officers regarding the existing and the newly established internal control measures in place, establishing an appropriate codes of conduct that will guides employees on their day-to-day duty-performance, separating the accounting and financial departments, having a board of directors and its audit committee who are independent of the management, maintaining ethical values in all decisions, committing to competence and integrity, creating an environment of mutual trust within them and clearly stating roles and responsibilities of their employees.

Deposit Money Banks in Nigeria undertake Risk Assessment which are inherent in the banking operations. The research findings revealed that Deposit Money Banks must have a clearly defined and suitable objectives to identify risks which may hinder the achievement of these goals within a time frame and must put appropriate measures to guide against the occurrence of these risks, or limits the loss attributed to these risks in case they unavoidably occurred in the course of doing business.

The banking sector and most organization in Nigeria control activities more effectively through segregation and separation of duty from initiation, execution, authorization and approval. The banks do not undermine training of employees on the need for implementation of the accounting process and procedures which are significant to providing timely and adequate management information systems for management decisions, addressing their weakness by corrective actions, having an organized and logical chart of accounts, safeguard access to valuable information and assets, controlling their expenditure, undertaking departmental budget reviews where variances have to be explained and regularly perform external audit.

The banking sector recognize and has a monitoring process that assesses the quality and effectiveness of internal controls. This is done through periodic and ongoing reviews and closely supervising implementation. The regression analysis revealed that the model standard obtained has a significant positive relationship between internal controls and Financial Performance of Deposit Money Banks in Nigeria. It implies that a unit increase in any of the internal controls measures will enhance financial performance of Deposit Money Banks in Nigeria.

Endnotes

1. M. Mwakimasinde, A. Odhiambo & J. Byaruhanga John. *Effect of Internal Control Systems on Financial Performance of Sugarcane Outgrowercompanies in Kenya*. **Journal of Business and Management**. 2014
2. E. Ndifon & P. Ejom. *The Impact of Internal Control Activities on Financial Performance of Tertiary Institution in Kenya*. **Journal of Economics and Sustainable Development**. 2014, Volume 5, No 16.

Chapter Five

Conclusion

5.1 Summary of Findings

The research done was to establish the effect of Internal Controls on the Financial Performance of Deposit Money Banks in Nigeria. A descriptive research was employed with a population of twenty-four listed deposit money banks used. Primary data was used as sources of information. Primary data was collected through a questionnaire to fifteen deposit Money Banks in Nigeria. Two Hundred Questionnaire sort to collect relevant data to the study by obtaining respondent's level of education, position in the bank, years of experience in the banking sector, their view on the effect of internal controls on the financial performance of deposit money banks in Nigeria and the effectiveness of the implementation of the Three Elements of internal controls (Control Environment, Risk Assessment and Control Activities and Monitoring) by ranking their level agreement on a Likert scale. The data collected was checked, verified and cleaned for validity and reliability. Data analysis was done using the Statistical Packaging for Social Scientist (SPSS) for regression and descriptive statistics such as mean and standard deviation.

Results obtained were presented using Chart and Tables and inferences made and discussed as given in this study.

5.2 Conclusion

The study findings revealed that Deposit Money Banks which effectively implemented the elements of internal controls had comparatively good quality financial performance. The regression analysis confirmed a significant positive relationship between Internal Controls and Financial Performance of Deposit Money Banks in Nigeria and without an effective internal control system, the outcome shall be a negative financial performance. Consequently, banking and finance sector in Nigeria economy experiences a strong financial performance fairly as a result of maintaining, implementing and compliance with an effective internal controls. The continuation of effective internal controls may be assigned to the highly regulated and structured environment in the banking sector.

5.3 Recommendations

The research recommended that the banks should effectively implement and maintain internal controls due to the nature of the riskiness of the banking sector and its impact on the economics growth of the country. The bank must have an independent Board of Directors and its committee as a Corporate Governance regulatory requirement. Besides

this, an independent audit department that is well trained and staffed should be set in all the branches of the banks to facilitate effective implementation of internal controls.

Banks should have in place an information system that facilitates relaying of timely, relevant and reliable information to stakeholders and free upward and downward flow of information between management and employees. Ethical values should be upheld in decision-making, integrity and competence enhanced. Above all, the management should ensure an atmosphere of mutual trust exist within their banks. Banks should design and organize for constant seminars and workshops to train its management and employees in finance, accounting and internal audit departments pertaining Internal Controls, policies and procedures in order to enhance their professional skills and practice.

Banks and other Financial Institutions (BOFID) should monitor and supervise Deposit Money Banks in Nigeria to ensure financial reporting, legal and regulatory requirements are met by the banks and transparent periodic reporting to stakeholders on Corporate Governance, Risk Management and Internal Controls is undertaken

5.4 Contribution to knowledge

This research focus attention on the study of relationship between Internal Control System and Financial Performance of Listed Deposit Money Banks in Nigeria, considering the impact in both short and long run which has broadens my exposure to how effective and efficient internal control could be to performance evaluation of business, particularly to financial institutions which is mostly dominated by Deposit Money Banks (DMB) as a key operator in the sector.

Literatures reviewed during my empirical studies on the research topic did not only refresh the initial ideas on performance evaluation measures, but also re-established and confirmed positive impact of internal control on the measures of financial performance other than Return on Equity (ROE), which include Capital Adequacy, Asset Quality Management Efficiency, earning ability and liquidity.

This study adopting Ordinary Least Square (OLS) Regression to analyzing findings on Internal Control and Financial Performance and at the same time achieving desired results which are consistent with the objectives and hypothesis, enhances and contributed significantly to my understanding of Research Methodology.

5.5 Suggestion for Further Study

The study recommends that a similar study should be conducted by examine internal control systems on the financial performance using Micro-finance Banks as a case study.

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Appendices I

List of Deposit Money Banks as at 31st October 2020

S/N	Name	Operational Category
1	Access Bank PLC	International Authorization
2	Citi Bank of Nigeria Limited	National Authorization
3	Eco Bank Limited	National Authorization
4	Fidelity Bank PLC	International Authorization
5	First Bank PLC	International Authorization
6	First City Monument Bank	International Authorization
7	Globus Bank	Regional Authorization
8	Guaranty Trust Bank	International Authorization
9	Heritage Bank Limited	National Authorization
10	Jaiz Bank PLC	National Authorization
11	Keystone Bank	National Authorization
12	Polaris Bank	National Authorization
13	Providus Bank	Regional Authorization
14	Stanbic IBTC Bank	National Authorization
15	Standard Chartered Bank	National Authorization

16	Sterling Bank PLC	National Authorization
17	SunTrust Bank Limited	Regional Authorization
18	Taj Bank Limited	Regional Authorization
19	Titan Trust Bank Limited	National Authorization
20	Union Bank of Nigeria PLC	International Authorization
21	United Bank for Africa PLC	International Authorization
22	Unity Bank PLC	National Authorization
23	Wema Bank PLC	National Authorization
24	Zenith Bank PLC	International Authorization

Source: <https://www.cbn.gov.ng>

Appendix II

Questionnaire

Dear respondent,

I am conducting a research on the Topic: Internal Control and Financial Performance of Deposit Money Banks in Nigeria. As part of requirement for the award of MSc at Lead City University, Ibadan, Oyo State. I will be grateful if you could participate in my survey. All data are strictly for academic purpose and will be treated with utmost care and confidential.

Section A: Personal Data

1 Gender

Male

Female

2 Age

18-25 years []

26-35 years []

36-45 years []

46-55 years []

56 years and above []

3 Educational Background

ND []

HND/BSC []

MSC []

Others []. If other(s) specify.....

4 How long have you been working in the bank?

5 years and below []

6-10 years []

11-15 years []

16-20 years []

21-25 years []

5. Designation:

Section B: Financial Performance (ROE)

Please indicate the extent to which you agree or disagree with the following. You are to assess that on a Likert scale of: 1=Strongly Disagree; 2=Disagree; 3=Undecided; 4=Agree; 5=Strongly Agree.

S/N	Financial Performance	1	2	3	4	5

1	Is the Company's policies and procedures for carrying out management directives and activities are clearly spelt out to staff					
2	Have the transactions been executed in accordance with integrity and ethical values/codes					
3	Does the role and responsibilities are clearly stated for the employee					
4	Does the BOD and its Committee are independent of Management					
5	Does the staff regularly trained and equipped with resources to carry out their duties professionally.					
6	Does the company have a code of ethical conduct that has been made available to all employee					
7	Does the management actively follow-up on complaints from customers/clients					

Section C: Control Environment

Please indicate the extent to which you agree or disagree with the following. You are to assess that on a Likert scale of: 1=Strongly Disagree; 2=Disagree; 3=Undecided; 4=Agree; 5=Strongly Agree.

S/N	Components of Control Environment	1	2	3	4	5
1	Is the Company's policies and procedures for carrying out management directives and activities are clearly spelt out to staff					
2	Have the transactions been executed in accordance with integrity and ethical values/codes					

3	Does the role and responsibilities are clearly stated for the employee					
4	Does the BOD and its Committee are independent of Management					
5	Does the staff regularly trained and equipped with resources to carry out their duties professionally.					
6	Does the company have a code of ethical conduct that has been made available to all employee					
7	Does the management actively follow-up on complaints from customers/clients					

Section D: Risk Management

Please indicate the extent to which you agree or disagree with the following. You are to assess that on a Likert scale of: 1=Strongly Disagree; 2=Disagree; 3=Undecided; 4=Agree; 5=Strongly Agree.

S/N	Components of Risk Management	1	2	3	4	5
1	Has the bank defined appropriate objectives for the organization					
2	Does the bank identifies risks that affect achievement of the objectives in a timely manner					
3	Does the bank has a criteria for ascertainment of the risks that are most criterial to the organization					
4	Does the bank has in place mechanism of mitigating risks that may arise during the course of doing business?					

5	Is appropriate action taken as a result of the measurement to improve effectiveness					
6	Does the bank have a functioning internal audit staff to review its operations?					

Section E: Control Activity and Monitoring

Please indicate the extent to which you agree or disagree with the following. You are to assess that on a Likert scale of: 1=Strongly Disagree; 2=Disagree; 3=Undecided; 4=Agree; 5=Strongly Agree.

S/N	Control Activity and Monitoring	1	2	3	4	5
1	Has the security system identifies and safeguards the bank's asset					
2	Are controls in place to check on incurring expenditure in excess of allocated funds					
3	Does the communication helps to evaluate how well the guidelines and policies of the bank are working and are implemented					
4	Does the employees understand the concept and importance of internal control including the division of labour?					
5	Does the corrective action taken to address the weakness					
6	Has the monitoring helped in assessing the quality of performance of the bank over time					
7	Does the management closely monitoring the implementation of					

the internal control system of the bank					
---	--	--	--	--	--

Bio- data

A. Personal Data

Full Names: Mojeed Owolabi ATORO
 Email Address: mojeed.atoro@graphicpkg.com
 Phone Number: 08165690033
 Sex: Male
 Marital Status: Married
 Residence No: Plot C, Block C, Zone C2, Unity Avenue, Jiboye, Apata, Ibadan
 Date of Birth: 7th January 1977
 State of Origin: Ogun
 Town: Ijebu Imusin-Esure
 Nationality: Nigerian
 Name of Next of Kin: Mrs Atoro Opeyemi
 Address of Next of Kin: Plot C, Block C, Zone C2, Unity Avenue, Jiboye, Apata, Ibadan

B. Educational Institution Attended With Dates and Qualifications

- I. Primary School: Bariga Primary School, Abule-Okuta, Bariga, Lagos
- II. Secondary School: Gbagada Comprehensive High School, Gbagada, Lagos
- III. Higher Institution: Institute of Professional Studies, Ilaro, Ogun State
Federal Polytechnic Offa, Kwara State
Lead City University, Ibadan, Oyo State (in view)

C. Working Experience

AR Packaging Nigeria Limited, Ibadan – Financial Accountant
 Propetrol Nigeria Limited, Lekki Phase 1 – Senior Accountant
 Chi Limited, Isolo, Lagos - Accountant
 Hotspot Nigeria Limited - Head Credit Control
 Evans Brothers (Publishers) Nigeria Limited, Jericho, Ibadan - Accountant

D. Membership of Professional Bodies

- I. The Institute of Chartered of Accountants of Nigeria (ICAN) 2007
- II. The Association of Certified Chartered Accountants (ACCA) 2014
- III. The Chartered Institute of Taxation of Nigeria (CITN) 2018

Signature

Date

University Compliance Certification

I certify that this thesis by **Atoro Mojeed** with **Matric Number LCU/PG/001264** in the Department of Management and Accounting Faculty of Management Sciences is in full compliance with the approved University format and style.

.....
Signature

.....
Date

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