

Internal Control and the Financial Performance of foreign-owned commercial banks in Uganda. A Case Study of Kenya Commercial Bank, Kampala Main Branch

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Keywords: *operational efficiency, profitability, internal control, control environment, control activities, monitoring activities, financial performance liquidity.*

Introduction

The study aimed at examining the relationship between internal controls and the financial performance of foreign-owned commercial banks in Uganda.

Study objectives

The study was guided by the following objectives:

1. to examine how internal controls improved profitability in Kenya Commercial Bank (KCB),
2. to assess how internal controls improved operational efficiency in KCB, and
3. to examine how internal controls improved liquidity in KCB.

Methodology

The study used a cross-sectional design using predominantly the quantitative approach and qualitative approaches. The study population 53 out of whom a sample size of 45 was selected. Simple random and purposive sampling techniques were employed to choose the respondents. Quantitative data analysis mainly consisted of descriptive statistics (frequencies and percentages) and inferential statistics (Pearson correlations, linear regression, and ANOVA). Content analysis was used to analyze qualitative data.

Key study findings

Findings revealed a positive and significant relationship between internal controls and profitability in KCB ($r = .505$, $P\text{-value} = .004$). On the second objective, it was revealed that there was a positive and significant relationship between internal controls and operational efficiency in KCB ($r = .596$, $P\text{-value} = .000$). Lastly, it was revealed that there was a non-significant relationship between internal controls and liquidity in KCB ($r = .531$, $P\text{-value} = .003$). It was concluded that internal controls employed in KCB tremendously improved profitability and operational efficiency but not liquidity.

Key recommendations

The study recommended that it is important that internal controls are improved further to ensure that the challenges associated with liquidity are improved in the bank.

Key references

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