

**TOPIC: CONTROL ENVIRONMENT, CREDIT MANAGEMENT SYSTEMS, AND
FINANCIAL PERFORMANCE OF SAVINGS AND CREDIT COOPERATIVES IN MID-
WESTERN UGANDA**

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ABSTRACT

The formal financial institutions' banking system considers majority of the population in developing economies as unbankable. To bridge the financing gap in the banking system, SACCOs are considered as engines for increased access to affordable credit by the economically active poor. That is why this study on SACCOs in Mid-Western Uganda aimed at examining the relationship between control environment, credit management systems, and financial performance. The study determined whether accountability mediates in the relationship between control environment and financial performance. The study adopted a cross-sectional research design in addition to a positivist paradigm and applied multi-theoretical approach while considering the Resourced-based view, Modern portfolio, Stewardship, Agency, and the Systems theories. Primary data was collected from 93 SACCOs using Simple random sampling technique, to come up with the representative sample of 93 SACCOs. The study used open-ended questionnaires. Data was reduced to manageable level by conducting exploratory factor analysis, and both descriptive and inferential statistics analyses were conducted. The study findings reveal a strong positive and significant relationship between control environment and financial performance of SACCOs in Mid-Western Uganda. Additionally, the results indicate a moderate positive and significant relationship between credit management systems and financial performance. It established that accountability is a significant mediator, as evidenced by a partial form of mediation in the relationship between control environment and financial performance. Of all the study dimensions: integrity and ethical values, credit terms, and client appraisal depict strong positive and significant correlations with financial performance. The study recommends that managers of SACCOs should further the design and implementation of an effective control environment by ensuring that integrity and ethical values are upheld. The results indicate that accountability is a key driver of financial performance. Management should therefore embrace accountability in the SACCOs' operations. Besides, managers should pay greater attention to putting into place mechanisms geared towards the formulation and implementation of favourable credit terms, and ensuring that an adequate appraisal process is in place.