International Journal of Research in Business, Economics and Management
Vol.2 Issue 6 November-December 2018
www.ijrbem.com

Financial Accountability and Sustainability of Micro Finance Institutions in Garissa County, Kenya

Maryan mohamud mohamed
And
Dr. Ambrose jagongo (PHD.)

Abstract
Micro Finance Institutions are aimed at providing financial services to small business enterprises. In Kenya the MFIs have not been able to effectively provide the financial services due to increased rate of business failure as a result of not financial accountability which denies the MFIs the desire of resources. Micro finance institutions financial reports in Garissa County in many instances face misstatements and frauds at very early stages and there is a reported increase in lack of accountability in many Micro finance institutions. The main objective of the study was to determine the effects of financial accountability on the sustainability of the MFI's in Garissa County. The specific objectives were; to find out the effects of audit efficiency on the sustainability of Micro Finance Institutions, to establish detection of frauds on the sustainability of MFIs and to establish the effects of financial reporting on the sustainability of MFIs. Resource based theory, agency theory and the lean six sigma theory were used to guide the independent and dependent variables. Descriptive research design was used. The researcher collected data via primary source, mainly through questionnaires which was distributed to various targeted micro finance institutions in Garissa County. Out of 66 questionnaires distributed, 58 were filled and returned which accounted to a response rate of 88 per cent. The study found that audit is conducted in majority of the Microfinance institutions and that the MFIs audit interval is consistent and short. The findings indicates that the audit results are communicated on time to the institutions and that recommended corrections and errors by the auditors are clear. The study found that detection of fraud has been carried out more often and that cases of frauds and corruption have been witnessed in majority of MFIs in Garissa. The findings also indicated that various detected fraud were exposed and loopholes closed. The study concludes that audit efficiency and effectiveness, detection of fraud, disclosure of fraud and reporting influence the sustainability of Micro Finance Institutions. The study concludes that reporting the audit information to stakeholders is key as it enhances their faith and confidence in the micro finance institution hence the sustainability of micro finance institution. The study recommends that employees in the micro finance institutions should disclose frauds after detecting them. The study recommends that MFIs should have continuous auditing so as to increase flexibility and opportunities to customize reports.

Introduction

Background of the Study

Micro Finance Institutions are institutions which offer financial services to groups or population with low incomes. Majority of the Microfinance institutions offer loans, deposit services and insurance services to small groups or to their members. Continuous auditing "is a type of auditing which produces audit results simultaneously, or a short period of time after the occurrence of relevant results." That is, collection of evidence is continuous in constant auditing and before collection an evaluation of evidence is done immediately (Kogan, 2003). Evolution of auditing has undergone various stages over the past decades yesterday, today and tomorrow, with each development stage characterized by different auditing procedures and practices. Under yesterday stage, most institutions did not accord high value to auditing simply because, as long as an organization was "operating", the stakeholders did not have much to worry about. They had little knowledge on the underlying principles in business management operations, for example Generally Accepted Accounting Principles (GAAP), Generally Accepted Auditing Standards (GAAS), statutory requirements and stakeholders' interests, (Hayes et al., 2005).

Past auditing played different roles and responsibilities. The principal duty of the earlier auditor has not changed much though. However, audit nowadays has become far more sophisticated. For an audit to take place there was indication of high suspicion that, something or specific operations were not right, which clearly indicated that auditing was practiced in a reactive rather than pro-active manner (Decker, 2004).

In medieval Britain, auditors were actually appointed by feudal barons and whose aim was to ensure that revenue produced by their serfs and tenant farmers were accurately accounted for and that their servants were not cheating or hiding revenue that was due to the landlords. Auditors at this early stage of evolution were required to discover frauds and errors within organizations' operations, while the landlords rarely became involved in day-to-day operations and management of the estate, but rather were simply relying upon property verification or substantiated accounts of their employees. This concept of the auditor as an independent mediator was therefore established at very early stages of auditing (Hayes, 2005).

Modern auditing has equally developed in parallel with development of limited liability Company, where much emphasis has been applied especially in terms of separation of ownership from routine management of the company. This was made possible by the concept of a company being a legal entity and led to the need to safeguard shareholders' interests that is stewardship responsibility. This stage has not been free from evolving challenges, as evidenced by the fact that, it was not compulsory for companies to have auditors until in late 19th century, even though many companies (practically all the large ones) had provided for the appointment of auditors in their Articles of Association.

The concept of stewardship (where productive resources owned by a group or person/s one are managed by another party/person or a group of persons) is still being practiced throughout history. In the middle ages, great land owners did not manage their land or resources but instead would appoint persons called stewards who would manage on their behalf. This is clearly evidenced by the kind of persons managing most companies today, for example. Directors appointed by the shareholders. Similarly, government owned central resources, including the nationalized industries are jointly managed by the government and persons appointed by the same government, (Hayes, 2005).

Auditing and Business Success

The examination of books of accounts, vouchers and documents for the sake of reporting to the stakeholders for the sake of verifying the profits or losses and balances of assets and liabilities is known as auditing. Auditing involves a systematic assessment and checking of business, departmental or organizational financial records in establishing the accuracy effectiveness and efficiency (Warren, 2006). Businesses need to ensure fareness and correctness of all books of account thus auditing is sought to maintain investor confidence. Auditing is very important as it shows the true picture of the summarised final financial accounts interms of the performance (profit and loss account) and financial position as reflected in the balance sheet.It is also important to note that for the sake of efficiency and accuracy of the financial records, prevention and detection of errors, auditing is vitally significant. Auditing fulfills these objectives according to Turner and Lynn (1999) and its subsidiary objectives.

Internal auditing is very important in any business set up for it ensures that policies are followed, thus auditing plays a very important role in the management of businesses. Auditing allows management to formulate long term policies and suggestions that will move towards improving the business. It helps the managers in reviewing policies of organization on a continuous basis (Smith & Warren, 2006). It helps in discovery of errors and detection of frauds as it involves verification of accounting records. It promotes employees moral check and determining their efficiency and job fit thus improving individual and organizational performance in general. It thus motives majority of employees in maintaining efficiency and thus achieving the individual goals. Manipulation of account records and misappropriation of company’s resources can only be detected and disclosed with the help of auditors (Searcy, Dewayne & Woodroof, 2003).

According to Hayes (2005) auditing is vital in helping to improve investors confidence on the company’s shares. It enables investors trust the audited financial records for they can decide whether or not to invest on a particular company. If stakeholders such as stockholders, government or creditors have to make their judgments based on the information they receive, then they must have faith that this is a fair representation of the economic value of the organization (Hayes, 2005).

Importance of Micro Finance Institutions in an Economy

Access to Microfinance credit plays an important role in the Kenyans economic growth. Lending institutions and banks provides financial services that enables persons and organizations to invest and save the resources available thus strengthening and supporting the economic activities. According to Yadav (2014), microfinance has continued supply of micro credit to people living in utter poverty in India. According to Dewayne, Searcy and Woodroof (2003) the role of the microfinance institutions in the underdeveloped economies is mainly to provide financial services especially the credit access to enable development of income–earning businesses. Therefore, this institutions provide fincial services which is a needed gap by low income earners. They also offer small loans and accumulation of small deposits for a mortgage who may not be able to access the same services to the commercial banks. The sizes and functions of the microfinance institutions vary entirely with majority of large MFIs working as an extension of Investment banks.

Financial services in any society nable businesses and people to access loan services and continuously manage available resources. Microfinance access enables growth of start ups and existing businesses (Yadav, 2014). These financial services are available to the Microfiance institutions at a lower costs to persons and groups with limited resources. These groups and persons can use the small loans provided to develop their ideas, start ups and small businesses based on their existing skills and talents. Some of small businesses funded by microfinance services may include manufacturing clothing, food kiosks and tapestries (Warren, 2006).

According to Dewayne, Searcy and Woodroof (2003) microfinance loan repayment rates on average ranges 97 to 98 per cent. This is because of the approach method used by the microfinance institutions when relating to and lending to the communit. Some of the approaches include group approach where group members guarantees each other which fosters supportive and education amongst members.This approach requires to hold the your partner accountable in repaying loans obligations and ensure each group member pays his/her loan dues on time(Smith, 2006). The other approach is working with self-help groups formed by non-governmental and governmental organizations in each community.These groups function to support each other and can also open a common bank accounts under the self-help group's name. In Kenya alone, micro finance has changed the nature of agricultural activities in the rural areas (Hans, 2007) in addition, they contributed significantly towards creation of employment and taxation.

Sustainability of Micro Finance institutions in Kenya

Microfinance institutions fill a needed gap within the financial services industry by offering small loans, or micro-loans, to people unable to access conventional loan services (Yadav, 2014). Microfinance institutions vary in size and function with some organizations focusing entirely on micro financing, while others work as extensions of large investment banks. Financial services in any society provides a means for businesses and persons to manage available resources and access loans on every other day (Cantu, Haiyan, Zhou & Lai, 2004). Microfinance access to the existing businesses and start-ups enables growth and sustainability of their operations. Most microfinance services are concentrated to communities, groups, persons and areas with low income and limited resources for economic development. Businesses, people and persons within these set ups use the small loans to develop their businesses based on their skills and talents. Ahlin (2010) generally posited that many factors on institutions affect financial performance of MFIs. Some of the performance indicators affected include the operating expenses, profit before taxes and portfolio quality. Macroeconomic factors such as share of gross domestic product ans financial factors have significant impacts on financial performance of the MFI's(The PBT, quality of the assets, and profitability). The conclusions is that while macro institutional factors are vital, companies should not forget to that to raise country level policies and qualities decision need to be clear on sustainability of policies under global recession.

1.2 Statement of the Problem

There has been a notable business failure rate among Micro Finance Institutions in Kenya. Linked to the failure of Micro Finance Institutions is lack of accountability (Omondi, 2013). Rezzae (2004) found out that fraudulent reporting was responsible for the failures. Further, Rezzae (2004) noted that fraud and scandals continue to erode the public confidence in audit process of these institutions which result into huge losses. Auditing is a key aspect of accountability.

Auditors should not ignore to address the increase in the frauds in the financial statements despite the difficulties. It is advised to find mechanisms to reduce the acts of frauds (Turner, 1999). Information technology at the same time is changing dramatically and the way of preparing the financial statements and even auditing procedures. Flowerday (2005) indicated that new ways must be established by auditor to curb this menace. Development of technolies and new methods of auditing has been sought by accounting scholars and auditors to audit the financial statement/final accounts thus preventing frauds. Accountability is the key and this can be enhanced in the Kenyan baking sector through proper auditing. Use of information technology as been recognized by American Institute of Certified Public Accountants (AICPA) as a tool which may help the accountants in the emerging economies in detecting misstatements and preventing frauds in the final accounts at the early stages and controlling it.

Continous auditing as compared to the traditional auditing is more accurate and less costly (Alles, 2005). Continous audits involves auditing the accounting improving figures instead of a final statements which may not necessary help at all (Yang, 1990). Microfinance institutions have been reporting distorted final accounts to lure investors, customers and public trust and majority of the studies have been concentrated in the developed countries. Therefore, the current project aimed to establish the effect of financial accountability on the sustainability of Micro Finance Institutions.

Objectives of the study

General objective

The general objective of the study was to investigate the effect of financial accountability on the sustainability of Micro Finance Institutions in Garissa.

Specific objectives

i. To determine the effect of audit efficiency on sustainability of Micro Finance Institutions in Garissa County.
ii. To establish the effect of fraud detection on sustainability of micro finance institutions in Garissa County.
iii. The effect of financial reporting on the sustainability of micro finance institutions in Garissa County.

Research Questions

i. Does audit efficiency and effectiveness affect the sustainability of micro finance institutions?
ii. Does detection of frauds on financial accountability help in the sustainability of micro finance institutions?
iii. How does financial reporting enhance stakeholders' faith and confidence?

LITERATURE REVIEW

In this section, the research discussed the related literature on the benefits and applicability of continuous auditing by reviewing theoretical framework in relation to the study objectives. This chapter further discusses the merits and demerits of adopting continuous auditing in micro finance institutions in Garissa.

The study was based on the three theories; Agency theory, Resource Based and Contingency theory.

Barney (1991) proposed the resource based view theory. It proposes that superior organization's performance enables institution's to outperform their competitors based on proper application of their intangible and tangible resources. Barney argued that to sustain and outperform competitors, institutions must have valuable resources which could be employed to create a valuable strategy to reduce its own weaknesses. The theory posits that the resource should be in-imitable and rare thus competitors will not easily copy, duplicate, imitate or substitute.

Resource based theory supports the dependent variable (sustainability of Micro finance institutions) in that in the acquiring and effective utilization of resources the firm will have a long term high sustainable performance in the competitive world.

The Lean Six Sigma Theory was developed by Motorola (1986). The theory is based on performance improvement approaches which were formulated for management of quality. The theory proposes that continuous quality improvement programs are the key to 99.99966 per cent free defects output. This according to the theory helps in solving problem and focusing on customers through the use of statistical tools. According to Singh and Malhotra (2014), this helps in cost reduction, process time while at the same time increasing profits and customer satisfaction.

The attributes of Lean Sigma theory includes organizational infrastructure, employee's attitudes, involvement of managers, employees and managers skills and trained human resource (Parast, 2011). This theory is applicable in the current study for it supports the audit efficiency and financial reporting in enabling improved financial performance and sustainability of MFI's.

The theory was proposed by Milgram (1961). The author observed that participants achieve an autonomous state though a series of an Agentic shift. The theory entails solving problems that exist in the relationship between agent (employees, auditors) and the principal (such as owners of the business and lenders). Agency theory tries to solve two problem facing an institution that is inability of principal to verify the actions/inputs of the agent and problems arising when the goals and desires of the principal and agent are conflicting. The second problem solved by agency theory is when the principal and agent have a different risk preferences and attitude.

For richer and more meaningful research in discipline of internal auditing Agency theory is the guide (Adams, 1994) According to Adams (1994), this theory posits that auditing in conjunction with other mechanisms of intervention such as financial reporting facilitates harmonious transactions and efficiency costing between the manager and the owners of the organization. This theory is applicable in the current study for it explains the implications of audit efficiency and financial reporting in the Micro Finance Institutions.

Summary of Empirical Review and Gaps Identified
The study summarized the major findings and the research gap identified.

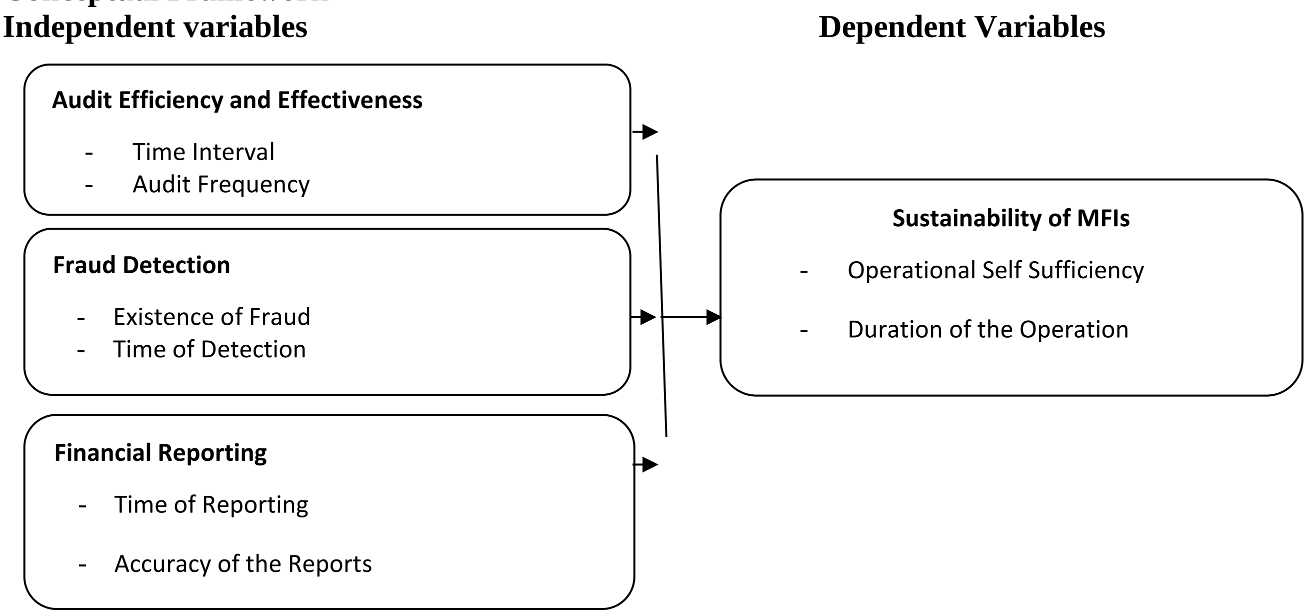
Table 2.1: Summary of Empirical Review and Gaps Identified

Author/s	Topic/Context and Focus	Study Findings	Identified Gaps	Focus of the Current Study
Bogan (2007)	capital structure and financial sustainability of Microfinance institutions	microfinance institutions grow in their life cycle towards sustainability of development institutionally	The concept was on capital structure	The study gap is that it failed to support interpretations of the approaches of life cycle
Brau and Woller (2004)	Microfinance institutions impact on the economy and society.	sustainability of Microfinance institutions sustainability is encouraged.	Analysis was not in Kenya	Analysis was on Kenyan MFIs
DeWayne and Woodroof (2003)	Effects of audit efficiency on financial accountability	Audit efficiency is a factor that contributes significantly to financial accountability	Concentrated on one independent variable that is audit efficiency	The current study determines the effects of financial accountability on sustainability

Aboagye, Addo, Buatsi and Mensah (2013)	effects of internal control on administration in Ghana	Internal controls enhanced administration to a great extent and reduced the defilements and frauds.	The study was based in Ghana	The current study was a local Kenyan based.
IFIU (2015)	effects of inside controls and sustainability of projects	Inside controls in execution of projects safeguards institution's advantages, enables proper book keeping and recognizes and suspects burglary and compulsion	The study considered projects sustainability.	The current study concentrates on Microfinance institutions in Kenya
Hayes (2005)	Studied the effects of disclosure and fraud detection on the sustainability of Microfinance institutions	Detection of frauds in the books of accounts in the Microfinance institutions significantly improves the sustainability.	The study did not show the relationship between the dependent and independent variables.	The current study filled the gap by establishing the relationship between dependent and independent variables.
Omondi (2013)	effects of forensic accounting on commercial bank's fraud detection and prevention in Kenya	detection and prevention of fraud increased after employing forensic accounting services	The study considered commercial banks.	The current study concentrates on Microfinance institutions.
Mugo (2014)	effects of voluntary disclosure on commercial bank's financial performance	there is a significant positive relationship between social, board, financial and forward looking disclosure on return on equity	The study concentrated on commercial banks	The current study looks at sustainability of Microfinance institutions.

Source: Reviewed Empirical Literature (2018)

Conceptual Framework



RESEARCH METHODOLOGY

The section indicates information about the geographical location of the study area. More importantly, it clearly gave details on how the study was carried out that is population source, size, target and composition, research design used, method(s) of sampling and sample size, nature of data and Instruments of collecting data, techniques and tool(s) of analyzing data that were used in subsequent section.

Research design constitutes the blue print of the research investigation since it's done for the purpose of validation. Research design is defined as an art or science of planning and conducting a research study in attempt to get meaningful findings. This study was exploratory in nature and employed a descriptive survey design and exploratory design. According to Orodho (2002) these designs were used in this study since the studies tried to describe phenomenon and explore findings in attempt to achieve the objectives. Descriptive research design helped to report the way things are without alteration and be able to compare similar scientific research studies findings. The researcher was interested on the state of affairs and no variable was manipulated.

Study Location

The location of study area was Garissa town Sub-County in Kenya. This location of study was chosen because of the uniqueness of the faith of the people of Garissa. Most of the people of Garissa are of the Islamic faith and are interested in Sharia compliant financial services.

Target population

The study focused on 10 microfinance institutions in Garissa. Micro finance institutions were selected primarily due to their unique nature of operations for example; the institutions' operations involve high volume of transactions, high probabilities of errors, frauds, material misstatements, high turnover and unfair loans disbursements. In this study, the employees working in departments of; Audit, finance and Accounting, including operational staff, middle level supervisors and departmental heads are in a better position as they are the ones who take part in the decision making process of the institution.

Table 3.1: Population

MFIs	Target Population
Garissa Teachers	30
Takaful ltd	20
Rema Micro Finance	20
Full scale Business Trust	20
Kenya Women Finance Trust	30
Milango Financial Services	20
Yehu Micro Finance Trust	20
SMEP Micro Finance	30
Real People Business Finance	30
Total	**220**

Source: County Records, 2017

Sampling technique and sample size

The technique for sampling was simple random sampling technique (probabilistic sampling) since every institution in the population had a known and equal chance of being selected. Additionally, convenience sampling was adopted to enable collection of information from members of the population who were conveniently available to provide it. The technique ensured that the collected data was not biased. 10 percent to 30 per cent of the total population is a good representation (Mugenda & Mugenda, 2003). The researcher used 30% of the target population giving a sample size of 66 respondents.

DATA ANALYSIS, PRESENTATION AND DISCUSSIONS

4.1 Introduction

The chapter presents the analysed data, findings, interpretations and discussions with the help of tables, charts and graphs. The descriptive findings, interpretation and discussion were arranged in the order of the objectives and research objectives.

4.1.1 Response Rate

66 questionnaires were administered to employees working in departments of; Audit, finance & Accounting, including operational staff, middle level supervisors and departmental heads were

66. The number of filled and returned questionnaires were 58 representing 88 percent response rate. The results are presented in the Figure 4.1. The results agrees with Mugenda and Mugenda findings in (2003) per cent response is satisfactory for analysing data, 60 per cent response is good while 70 per cent is very good. Therefore, the current study's 88 per cent is very good response.

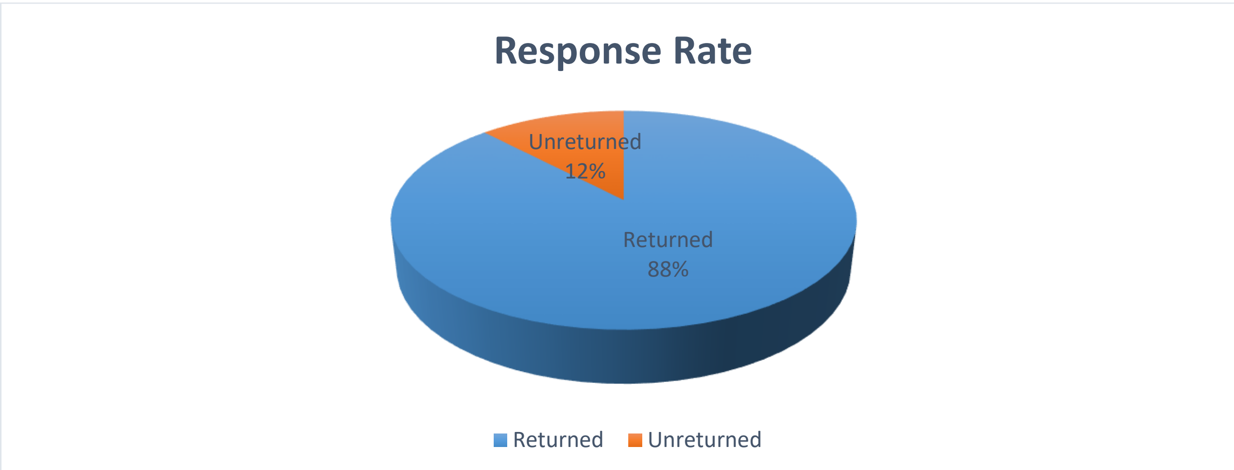


Figure 4.1 Response rate
Source: Survey Data (2018)

4.1.2-Results on the Pilot Study

Pilot study was conducted to establish the reliability and validity of the research instruments. Cronbach Alpha test (α) was used to check on validity and reliability. A test of 0.7 was recommended for examinable research (Cronbach, 1951). Table 4.1 presents the findings.

Table 4.1:Results on the Pilot Study

Variable	CronBach Alpha (α)
Audit Efficiency	0.782
Detection of Frauds	0.811
Financial Reporting	0.791
Sustainability of MFIs	0.871

Source: Researcher, (2018)

From the findings, audit efficiency had a test score (α) of 0.782, detection of frauds had a test score of 0.811, financial reporting had a test score of 0.791 and sustainability of MFIs had a test score of 0.871. The observed coefficients are all above 0.7 and it indicates the high reliability of the research instruments.

4.2 Demographic Characteristics

The section presents characteristics of the respondents such as gender of the respondents, age of the respondent age, education level and employee's work experience.

4.2.1Respondent's Gender

The researcher aimed at determining respondent's gender. The results were presented in the Figure 4.2. The findings indicate that majority of respondents (78%) were male while only 22% indicated they were female. This implies that most people working in the microfinance institutions in Garissa County were male.

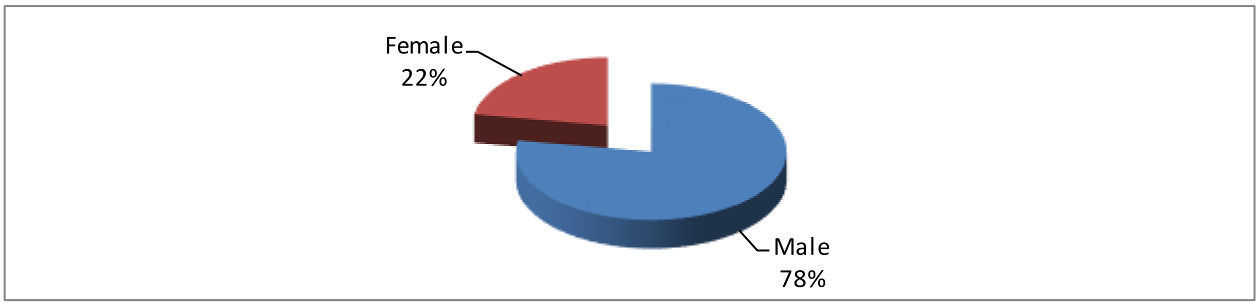


Figure 4.2: Gender of the respondents

Source, Survey (2018)

4.2.2 Age of the Respondents

The study further sought to determine the age of the respondents and findings presented in Figure 4.3. The findings indicated that majority of the respondents (61.2%) were 44 years or above, 23.9% of the employees presented that they were between 35-44 years, 13.4% indicated that they were between 25 – 34 years while only 1.5% indicated that they were below 25 years. This implies that most employees were elderly and thus they had experience of the job. Figure 4.3 shows the results.

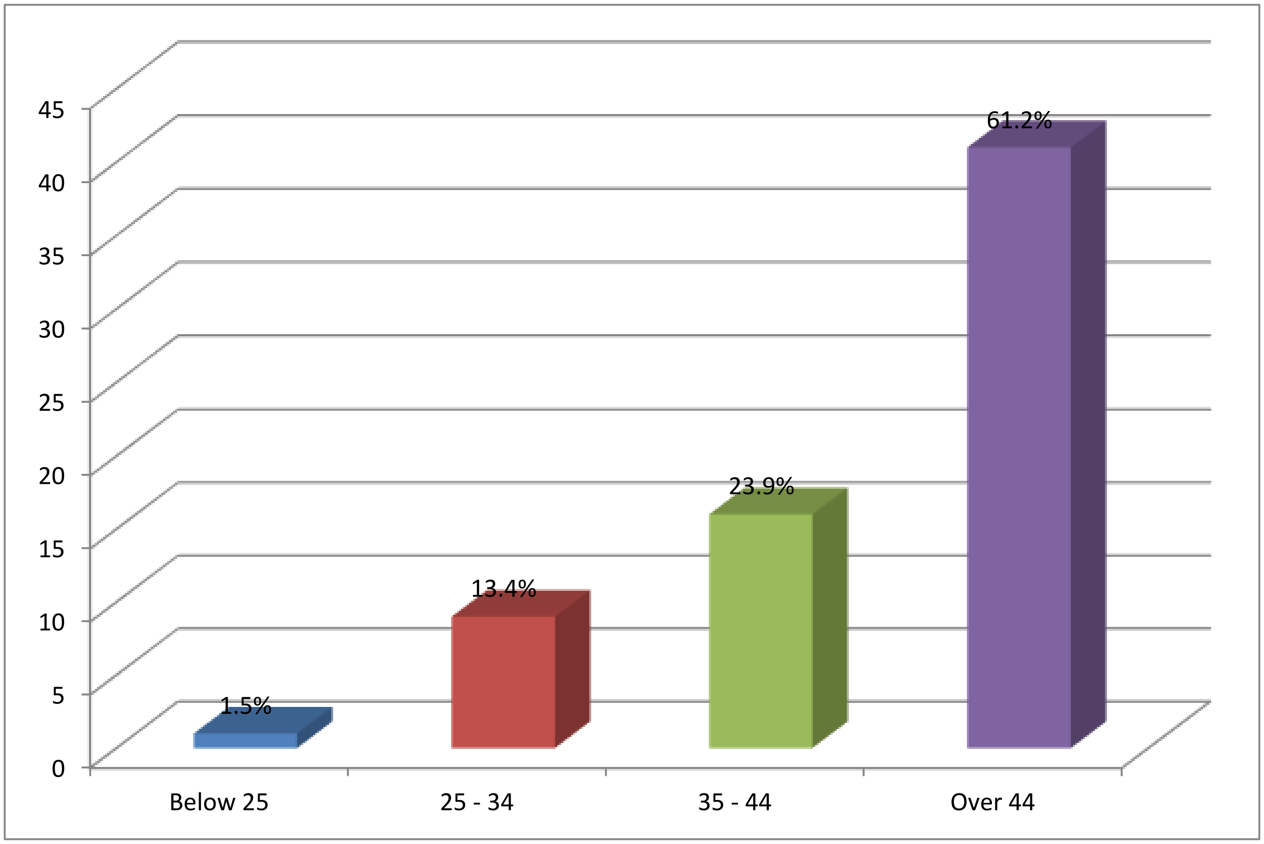


Figure 4.3: Age of the Respondents

Source, Survey (2018)

4.2.3 Highest level of Education

The respondents were further asked to indicate their highest level of education. The results are shown by Table 4.1.

Effects of Detection of frauds

The researcher pursued to establish the effect of detection of frauds on sustainability of micro finance institutions. The findings were presented in table 4.5.

Table 4.5: Effects of Detection of frauds

Statements	N	Min.	Max.	Mean	Std. Dev.
Detection of fraud has been carried out more oftenly	66	1.00	5.00	4.15	1.12
Cases of frauds and/or corruption have been witnessed in your organization	66	1.00	5.00	4.22	1.06
The various detected fraud were exposed and loopholes closed	66	1.00	5.00	4.31	1.11

Attempted fraud activities were detected in early stages	66	1.00	5.00	4.43	1.23
Cases of frauds have been disclosed to the management for their necessary actions.	66	1.00	5.00	3.99	1.09
Average				4.22	1..12

Source: Survey Data (2018)

The findings of the study in table 4.5 indicate that detection of fraud has been carried out more oftenly as indicated by a high mean of 4.15 and a low dispersion of 1.12). It is also evident that cases of frauds and/or corruption have been witnessed in majority of MFIs in Garissa as presented by a mean of 4.22 and a dispersion of 1.06. The findings indicates that various detected fraud were exposed and loopholes closed as indicated by a high mean of 4.31 and a dispersion of 1.11. It is also clear from the findings that the attempted fraud activities were detected in early stages as presented by a high mean of 4.43 and a dispersion rate of 1.23. It is also clear that cases of frauds were disclosed to the management for their necessary actions as shown by a mean of 3.99 and a low dispersion of 1.09. The average mean score of 4.22 and a low dispersion of 1.12 implies that majority of microfinance institution in Garissa County practices a fraud detection and exposure and that management take necessary actions in time.

The study agrees with the findings of Aboagye, Addo, Buatsi and Mensah (2013) study on the effects of internal control on administration in Ghana. The study found that internal controls enhanced administration to a great extent and reduced the defilements and frauds. The study also found that fraud detection process is significantly and positively related to performance of corporate organizations.

Effects of Financial Reporting

The researcher pursued to establish the effect of reporting on sustainability of micro finance institutions. The findings on various indicators of financial reporting were presented in Table 4.6.

Table 4.6: Effects of Financial Reporting

Statements	N	Min.	Max.	Mean	Std. Dev.
Financial reports are prepared and presented to all stakeholders	66	1.00	5.00	4.44	1.19
There is up to date and timely representation of financial reports in your institution	66	1.00	5.00	4.35	1.15
The financial reports are clear to the users	66	1.00	5.00	4.57	1.02
The reports are accurate and enables users to identify and control risk	66	1.00	5.00	4.33	1.18
Average				4.42	1..14

Source: Survey Data (2018)

The results as shown in the table 4.6 indicates that financial reports are prepared and presented to all stakeholders as indicated by a high mean of4.44 and a low distribution of 1.19. The study findings shows clearly that there is up to date and timely representation of financial reports in majority of the institution as indicated by a mean of 4.35 and a low dispersion arte of 1.15. The findings also present that the financial reports are clear to the users as presented by a mean of 4.57 and a low dispersion of 1.02. High mean of 4.33 and a dispersion rate of 1.18 indicates that the reports are accurate and enables users to identify and control risk. The high average mean of 4.42 and a low standard deviation of 1.14 indicates that financial reporting is clear and useful to the majority of the Micro finance institutions in Garissa County. The findings concurs with Mugo (2014) study findings on the effect of voluntary disclosure on commercial bank's financial performance. The study results indicated that there was a positive significant relationship between social, board, financial and forward looking disclosure on return on equity.

4.4 Sustainability of MFIs in Garissa County

The level of sustainability was sought from the Microfinance institutions in Garissa County. Various indicators of sustainability were presented to the respondents and the findings were presented in the Table 4.7.

Table 4.7Sustainability of MFIs in Garissa County

Statements	N	Min	Max.	Mean	Std. Dev.
Duration of the MFIs operation determines the sustainability	66	1.00	5.00	4.26	1.26
The MFI has experienced operational cost efficiency	66	1.00	5.00	4.38	1.19
The profitability level is sustainable	66	1.00	5.00	4.49	1.22
Average				4.38	1.22

Source: Survey Data (2018)

The results as shown in the table 4.7 indicates that duration of the MFIs operation determines the sustainability as indicated by a high mean of 4.26 and a low dispersion of 1.26. It is true from the findings that the MFIs have experienced operational cost efficiency as indicated by a mean of 4.38 and a low dispersion arte of 1.19. The findings also present that majority of MFIs profitability level is sustainable as presented by a mean of 4.49 and a low dispersion of 1.22. The high average mean of 4.38 and an average low standard deviation of 1.22 indicates that majority of the Micro finance institutions in Garissa County are sustainable. The study findings concurs with a study by Brau and Woller (2004) on Microfinance institutions impact on the economy and society. The study found that sustainability of Microfinance institutions sustainability is encouraged since many loan funds are fragile and that provided subsidies reduce the efficiency and the operations scale.

4.5 Inferential Statistics

The study conducted inferential analysis to determine the level of correlation, fitness of the model, ANOVA results and co-efficients of regression.

4.5.1 Correlation Analysis

The results of the correlation analysis were presented in Table 4.8.

Table 4.8: Correlation Analysis

		Sustainability	Audit Efficiency and effectiveness	Detection of frauds	Reporting
Sustainability	Pearson Correlation Sig. (2-tailed)	1.000			
Audit Efficiency and effectiveness	Pearson Correlation Sig. (2-tailed)	.762** 0.000	1.000		
Detection of frauds	Pearson Correlation Sig. (2-tailed)	.553** 0.000	.421** 0.000	1.000	
Reporting	Pearson Correlation Sig. (2-tailed)	0.071 0.017	0.08 0.521	0.15 0.224	1.000

The results revealed that audit efficiency and effectiveness and sustainability are significantly and positively correlated (r=0.762, p=0.000). it is also clear from the table that detection of fraud and sustainability are significantly and positively correlated (r=0.553, p=0.000). It is also evidenced that financial reporting and financial sustainability were significantly and positively correlated (r =0.071, p=0.017). since all the significance levels (P value) is less than 5%, the study concluded that at 95% confidence level financial accountability leads to improvement in sustainability of microfinance institutions in Garissa County.

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter presents a summarized finding, conclusions and recommendations on the effect of financial accountability on the sustainability of microfinance institutions in Garissa County. This is done in line with the three specific objectives of the study.

5.2 Summary of the study

The study aimed at determining the effects of financial accountability on the sustainability of microfinance institutions in Garissa County. This section provides a summary of the findings from the analysis. The result of the study was based on the objectives and research questions.

5.2.1 Audit Efficiency and Accountability

The first objective of the study was to establish the effect of audit efficiency and effectiveness on sustainability of Micro Finance Institutions. The finding was that audit efficiency and effectiveness has a strong positive and significant effect on the sustainability of Micro Finance Institutions. The study found that audit is conducted in majority of the institution. The study also found that the MFIs audit interval is consistent and short. The findings indicates that the audit results are communicated on time to the institutions and that recommended corrections/errors by the auditors are clear and not repeated in the next audit

5.2.2 Effects of Fraud Detections

The second objective of the study was to determine the effects of detection of frauds on sustainability of Micro Finance Institutions. The results revealed that detection of frauds has a positive and significant effect on the sustainability of Micro Finance Institutions. The study found that detection of fraud has been carried out more often and that cases of frauds and/or corruption have been witnessed in majority of MFIs in Garissa. The findings also indicated that various detected fraud were exposed and loopholes closed. It is also clear from the findings that the attempted fraud activities were detected in early stages and that frauds were disclosed to the management for their necessary actions.

5.2.3 Effects of Financial Reporting

The third objective of the research study was to determine the effect of reporting on sustainability of Microfinance Institutions. The results showed a significant positive effect on the sustainability of Micro Finance Institutions. It is clear from the findings that up to date and timely representation of financial reports in majority of the institution enables users to identify and control risk.

5.3 Conclusions

Based on the above findings the study concludes that audit efficiency and effectiveness, detection of fraud, disclosure of fraud and reporting influence the sustainability of Micro Finance Institutions. The study also concluded that continuous auditing provides increased flexibility and opportunities to customize reports. The study also concluded that reporting the audit information to stakeholders is key as it enhances their faith and confidence in the micro finance institution hence the sustainability of micro finance institution.

5.4 Recommendations of the Study

The study recommends that employees in the micro finance institutions should disclose frauds after detecting them. This is because if they are not disclosed then the management will not be able to take any action. The study recommends that MFIs should have continuous auditing so as to increase flexibility and opportunities to customize reports. The study recommends that internal audit department need to collaboratively work with necessary stakeholders in order to realign coverage of audit reports and process that are very critical to the stakeholders.

The study recommends that internal audit to be done continuously as it will help identify risk and assure the managers success in trying to drive the business success towards sustainability. Further the study also recommends that MFIs need to charge positive interest rates, source funds from commercial sources, identify their market niche as well concentrate on their core business. In addition the government on the other hand needs to streamline the operations of MFIs by having clear-cut policies on the micro finance sector. A regulatory body should be put in place to oversee the smooth running of MFIs

5.5 Suggested areas for Further Research

The general aim of the current study was to establish the effect of financial accountability on the sustainability of MFIs in Garissa County. It involved analyzing the Micro Finance sustainability hence other organizations such as manufacturing companies and pension funds ought to be studied and the findings compared to the results of the current study.

REFERENCES

Abbasi, A., & Chen, H. (2009).A comparison of fraud cues and classification methods for fake escrow website detection. Information Technology and Management, 10(2-3), 83-101.

Alles, M. G., Brennan, G., Kogan, A., Vasarhelyi, M, (2006) *International Journal of Accounting Information Systems v. 7, n. 2, p.137-161*

Alles, M. G., Kogan, A., Vasarhelyi, Miklos A. (2005) *International Journal of Disclosure and Governance v.2, n. 1, p. 9-26.*

Alles, M. G., Tostes, F., Vasarhelyi, M. A., Riccio, E. L., (2006) *Revista de Gestão da Tecnologia e Sistemas de Informação v. 3, n. 02, p. 211- 24.*

Ball, R., Brown, Philip (1968) *An Empirical Evaluation of Accounting Income Numbers, Journal of Accounting Research. v. 6, n. 2, p.159-178, Autumn.*

Cantu, I., Haiyan, Zhou And Lai, Liu (2004) *Continuous Auditing,* University of Texas Pan American, Information Systems Education Journal, *Vol. 2, No. 14.http://isedj.org/2/14. pp. 1-12.*

Flowerday, S., Blundell, A. W., Von Solms, Rossouw (2006) *Continuous Auditing technologies and models: a discussion, Computers & Security v. 25, n. 5, p.325-31.*

Flowerday, S., Von Solms, Rossouw (2005) *Continuous Auditing: verifying Information integrity and providing assurances for financial reports, Computer Fraud & Security v. 24, n. 7, p. 12-6.*

KPMG, KPMG *Continuous Auditing and Continuous Monitoring Survey (2010)*

Krishnan, J. (2005).Audit committee quality and internal control: An empirical analysis. The accounting review, 80(2), 649-675.

Kubasu, B. (2014). *Influence of internal audit controls on fraud detection among commercial banks: the case of selected banks in Kenya* (Doctoral dissertation, University of Nairobi).

Kuhn, J. Randel, Jr., And Steve G. S. (2006). Learning from Worldcom: *Implications*

Mugo, N. W. (2014). *The effect of voluntary disclosure on the financial performance of commercial Banks in Kenya* (Doctoral dissertation, University of Nairobi).

Nachmias C. F; Nachmias D. (1996) *Research Methods in Social Sciences***,** Arnold Publishers, 5th Edition

Omondi, E. O. (2013). *The impact of forensic accounting services on fraud detection and prevention among Commercial Banks in Kenya* (Doctoral dissertation, University of Nairobi,).

Porter, B., Simon, J., Hatherly, D. (2003) *Principles of External Auditing*, Indianapolis: Editora Wiley,

Pushkin, Ann (2003), *Comprehensive Continuous Auditing: The Strategic Component Internal Auditing, v. 18, n. 1, p. 26-34.*

Ratemo, R. M. (2015). *The relationship between stock prices and company performance of firms listed at Nairobi securities exchange that engage in sustainability reporting* (Doctoral dissertation, University of Nairobi).

Rezaee, Z. (2004), *Restoring public trust in the accounting profession by developing anti-fraud education, programs, and auditing Managerial Auditing Journal v. 19, n.1,p. 134-48.*

Rezaee, Z., Elam, R., Sharbatoghlie, Ahmad (2001) *Continuous auditing: the audit of the future. Managerial Auditing Journal, v. 16, n. 3, p. 150-8.*

Rezaee, Z., Ford, W.F. And Elam, R. (2000), *The Role of Internal Auditors In A realtime accounting system, Internal Auditor*

Rick H., Arnold S., Roger D., and Philip W. (2005) *Principles of Auditing***,** Prentice Hall, Second Edition

Searcy, Dewayne L., Woodroof, Jon B. (2003), *Continuous Auditing: leveraging Technology***.** The CPA Journal *v. 73, n. 5, p. 46-8.*

Turner, Lynn (1999), *Speech by SEC Staff: Panel on Audit Effectiveness*. U.S. Securities and Exchange Commission *v. 6, n. 3, p. 1-24.*

Van D. J. (2004), *The Need For Continuous Controls Monitoring*, CPA Journal

Vasarhelyi, M.A And Halper, F.B (1991), *The Continuous Audit of Online Systems*, Auditing: A Journal of Practice and The Theory : 110-125

Visser, W. A. M. T. (2002).Sustainability reporting in South Africa. Corporate Environmental Strategy, 9(1), 79-85.

Warren, D., Smith, M. (2006), *Continuous Auditing: An Effective Tool for internal auditors. Internal Auditing v. 21, n. 2, p. 27-35.*

Yadav, R.K. (2014). Significance of micro finance institutions in rural India.*International letters of social humanities sciences ISSN:2300-2697, vol 21,pp 84-90.*