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Effect of Internal Control Systems on Financial Performance: A Case Study of Commercial Banks in Kampala City

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Abstract

Internal control systems constituted fundamental mechanisms for ensuring operational efficiency, financial integrity, and regulatory compliance in banking institutions. In Kampala City, commercial banks operated within increasingly complex regulatory environments while facing competitive pressures that demanded superior financial performance. This study investigated the effect of internal control systems on financial performance of commercial banks in Kampala City, conducted between May 2023 and January 2024. The research examined 24 licensed commercial banks operating in Kampala, which collectively controlled approximately 85% of Uganda's banking sector assets. Internal control systems were analyzed across five components based on the COSO framework: control environment, risk assessment, control activities, information and communication, and monitoring activities. Financial performance was measured using both accounting-based metrics including return on assets, return on equity, net profit margin, and market-based indicators including asset quality and operational efficiency ratios. The study employed a descriptive correlational research design utilizing mixed methods approaches. From 24 licensed commercial banks in Kampala, 20 banks participated in the study, representing an 83.3% institutional response rate. Purposive sampling selected 180 respondents including internal auditors, risk management officers, finance managers, and compliance officers from participating banks. Data collection utilized structured questionnaires administered to bank officials and document analysis of audited financial statements for the period 2020-2023. Key informant interviews were conducted with 15 senior bank executives and 5 Bank of Uganda supervision officials. The questionnaire demonstrated excellent reliability with Cronbach's Alpha of 0.891. Data analysis employed SPSS version 29, utilizing descriptive statistics, Pearson correlation analysis, and multiple regression models to establish relationships between internal control components and financial performance indicators. Findings revealed that internal control systems significantly affected financial performance of commercial banks ($r=0.816$, $p<0.01$). Control activities demonstrated the strongest positive correlation with financial performance ($r=0.782$, $p<0.01$), followed by risk assessment ($r=0.741$, $p<0.01$) and monitoring activities ($r=0.718$, $p<0.01$). Control environment showed moderate positive correlation ($r=0.634$, $p<0.01$), while information and communication correlated at $r=0.601$, $p<0.01$. Regression analysis indicated that internal control components collectively explained 75.8% of variance in financial performance ($R^2=0.758$). Banks with strong internal controls achieved average ROA of 3.24% compared to 1.87% for banks with weak controls. Similarly, strong control systems correlated with average ROE of 18.6% versus 11.2% for weak systems. However, 62.8% of respondents reported challenges in implementing comprehensive internal controls, citing resource constraints, technological limitations, and resistance to control procedures. Internal control systems exerted significant positive effects on financial performance of commercial banks in Kampala City, with robust controls enhancing profitability,

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operational efficiency, and asset quality. The strength and effectiveness of internal control implementation emerged as critical determinants of competitive advantage in Uganda's banking sector. Bank management should strengthen control activities through automated systems, enhance risk assessment frameworks, invest in internal audit capabilities, improve communication channels, implement continuous monitoring mechanisms, and allocate adequate resources to internal control systems. Bank of Uganda should enforce internal control standards, conduct regular assessments, and provide technical guidance to banks on best practices.

Keywords: Internal control systems, financial performance, commercial banks, Kampala, COSO framework, risk management, internal audit, banking sector, return on assets, operational efficiency

1. Background of the Study

Uganda's banking sector experienced significant transformation over the past two decades, evolving from a state-dominated industry to a competitive market with 24 licensed commercial banks as of December 2023. Kampala City, as Uganda's financial center, hosted headquarters and main operations of all commercial banks, making it the epicenter of the country's banking activities(Alex et al., 2023). The sector's total assets exceeded UGX 35 trillion, with deposits surpassing UGX 25 trillion, underscoring its critical role in economic intermediation and financial stability(Alex & Julius, 2024). This growth occurred alongside increasing complexity in banking operations, regulatory requirements, and risk profiles that necessitated robust internal control systems(T. Paul et al., 2022).

Internal control systems represented comprehensive frameworks of policies, procedures, and practices designed to ensure achievement of organizational objectives, reliability of financial reporting, compliance with laws and regulations, and safeguarding of assets (Audrey & Kazaara, 2025). For commercial banks, internal controls were particularly critical given the fiduciary nature of banking, the scale of financial transactions, vulnerability to fraud and operational errors, and stringent regulatory expectations. The Committee of Sponsoring Organizations of the Treadway Commission provided an internationally recognized framework comprising five interrelated components: control environment, risk assessment, control activities, information and communication, and monitoring activities(Julius & Kazaara, 2025).

Financial performance of commercial banks measured their ability to generate profits, manage risks, operate efficiently, and create shareholder value while maintaining stability and regulatory compliance. Performance metrics included return on assets reflecting asset utilization efficiency, return on equity indicating shareholder returns, net profit margins showing operational profitability, non-performing loan ratios measuring asset quality, and cost-to-income ratios demonstrating operational efficiency(Alex & Kazaara, 2023). In competitive banking environments, superior financial performance determined market leadership, attracted investors and depositors, and ensured long-term sustainability (Sarah & Audrey, 2024).

The relationship between internal controls and financial performance had received considerable attention in banking literature globally, with evidence suggesting that strong control systems prevented losses, enhanced operational efficiency, and supported strategic decision-making (Akankwasa et al., 2022). However, research specifically

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examining this relationship within Uganda's banking context remained limited. Bank of Uganda's supervision reports periodically highlighted internal control weaknesses across various banks, suggesting that control effectiveness varied considerably within the sector. Understanding how internal control systems specifically affected financial performance of commercial banks in Kampala would inform managerial decisions, regulatory oversight, and ultimately contribute to banking sector stability and efficiency(Alex et al., 2024).

2. Problem Statement

Commercial banks in Kampala City operated in increasingly complex environments characterized by sophisticated financial products, technological disruption, cybersecurity threats, regulatory changes, and competitive pressures(Racheal et al., 2023). These dynamics created multiple risks that could significantly affect financial performance if not properly managed through effective internal control systems(Musaibah et al., 2023). Bank of Uganda supervision reports from 2020-2023 documented various internal control deficiencies across commercial banks, including inadequate segregation of duties, weak risk management frameworks, insufficient audit coverage, poor information systems controls, and ineffective monitoring mechanisms(Faith et al., 2023).

Despite regulatory requirements mandating robust internal controls, implementation quality varied substantially across banks, with some institutions demonstrating exemplary systems while others exhibited persistent weaknesses(Nancy & Prudence, 2024). These variations occurred despite all banks operating under identical regulatory frameworks, suggesting that internal factors rather than external requirements determined control effectiveness(L. A. Nafiu et al., 2017). The financial implications of these variations remained inadequately quantified, as limited empirical research examined whether internal control strength actually translated into superior financial performance in Uganda's banking context(K. Paul et al., 2023). Furthermore, commercial banks incurred substantial costs implementing and maintaining internal control systems, including personnel expenses, technology investments, training, and opportunity costs of control-related restrictions on business flexibility (Sophie & Crispus, 2024). Without clear evidence that these investments yielded tangible financial benefits, bank management might underinvest in controls or implement them superficially to satisfy regulatory requirements rather than genuinely enhance organizational effectiveness(Julius, 2024). Understanding the actual effect of internal control systems on financial performance would enable evidence-based resource allocation decisions and demonstrate return on investment in control frameworks.

3. Main Objective

To examine the effect of internal control systems on financial performance of commercial banks in Kampala City.

4. Methodology

This study employed a descriptive correlational research design integrating quantitative and qualitative methodologies to comprehensively examine the relationship between internal control systems and financial performance of commercial banks(Kazaara & Julius, 2025). The correlational approach was appropriate for investigating relationships

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between variables in their natural settings without manipulation, while mixed methods enabled triangulation and richer contextual understanding(Alex & Julius, 2024).

The target population comprised all 24 licensed commercial banks operating in Kampala City as of April 2023, including both local and foreign-owned institutions. Rather than sampling from this finite population, the study attempted census coverage to maximize representativeness and statistical power. Through formal engagement with bank management, 20 banks agreed to participate, yielding an 83.3% institutional response rate (L. Nafiu, 2013). Non-participation resulted from two banks citing confidentiality policies, one undergoing merger processes, and one declining without specified reasons. Participating banks represented diverse ownership structures, asset sizes, and market positions, ensuring heterogeneity in the sample.

Within each participating bank, purposive sampling identified knowledgeable respondents from departments directly involved with internal controls and financial management. Target respondents included internal audit managers, risk management officers, finance managers, compliance officers, and operations managers. An average of nine respondents per bank yielded a total sample of 180 individual participants. This multi-respondent approach reduced single-source bias and provided comprehensive perspectives on internal control systems within each institution (Gunto Lu et al., 2013).

Primary data collection utilized structured questionnaires comprising six sections: respondent demographics, control environment assessment, risk assessment processes, control activities implementation, information and communication systems, and monitoring activities effectiveness. Each internal control component was measured through multiple items using five-point Likert scales ranging from "Strongly Disagree" to "Strongly Agree." Financial performance data were obtained from audited financial statements for fiscal years 2020-2023, publicly available through Bank of Uganda publications and individual bank annual reports. Key performance indicators extracted included return on assets, return on equity, net profit margin, non-performing loan ratio, cost-to-income ratio, and capital adequacy ratio.

Complementary qualitative data were gathered through semi-structured interviews with 15 senior bank executives including chief executive officers, chief financial officers, and heads of internal audit from selected banks(Julius et al., 2024). Additionally, five officials from Bank of Uganda's Bank Supervision Directorate were interviewed to provide regulatory perspectives on internal control effectiveness across the sector. These interviews explored mechanisms through which internal controls influenced performance, challenges in implementation, and regulatory expectations (Julius, 2025).

The questionnaire underwent rigorous development and testing processes. Initial design drew from established instruments used in previous banking studies, adapted to Uganda's regulatory and operational context. A pilot study with 25 bank officials from two non-participating banks tested instrument clarity and reliability, resulting in minor modifications. The final instrument demonstrated excellent internal consistency with overall Cronbach's Alpha of 0.891, with individual components ranging from 0.812 to 0.867.

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Data collection occurred between August and November 2023. Questionnaires were administered both electronically through secure email and physically during scheduled visits to bank headquarters. Collected data were cleaned, coded, and analyzed using SPSS version 29(Nelson et al., 2022). Quantitative analysis included descriptive statistics, Pearson correlation analysis examining relationships between internal control components and financial performance indicators, and hierarchical multiple regression analysis determining the collective and individual predictive power of control components on performance while controlling for bank size, ownership type, and market position. Qualitative interview data were thematically analyzed to provide explanatory depth to quantitative findings.

5. Results and Discussion

5.1 Respondent and Bank Characteristics

The study achieved participation from 180 respondents across 20 commercial banks, representing 90% individual response rate from targeted participants. Table 1 presents respondent characteristics.

Table 1: Respondent Characteristics (N=180)

Characteristic	Category	Frequency	Percentage
Position	Internal Audit Manager/Officer	52	28.9%
	Risk Management Officer	41	22.8%
	Finance Manager/Officer	38	21.1%
	Compliance Officer	32	17.8%
	Operations Manager	17	9.4%
Years in Banking	Less than 5 years	34	18.9%
	5-10 years	76	42.2%
	11-15 years	48	26.7%
	Over 15 years	22	12.2%
Education Level	Bachelor's Degree	87	48.3%
	Postgraduate Diploma	51	28.3%
	Master's Degree	38	21.1%
	Professional Certification	4	2.2%
Bank Ownership	Local Private	89	49.4%
	Foreign	68	37.8%
	Government-owned	23	12.8%

Source: Primary Data, 2026

Respondent distribution showed strong representation from internal audit (28.9%) and risk management (22.8%) functions, ensuring expertise on internal control systems. Banking experience was predominantly in the 5-10 year range (42.2%), indicating substantial professional maturity. Educational qualifications were high, with 49.4% holding

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postgraduate qualifications, reflecting the technical nature of banking operations. Bank ownership distribution showed that local private banks dominated (49.4%), followed by foreign banks (37.8%) and government-owned institutions (12.8%), representing Uganda's banking sector composition.

5.2 Internal Control Systems Implementation

Table 2: Implementation Levels of Internal Control Components (N=180)

Internal Control Component	Mean	Std. Deviation	Implementation Level
Control Environment	3.87	0.82	High
Risk Assessment	4.02	0.76	High
Control Activities	4.18	0.71	Very High
Information and Communication	3.74	0.88	High
Monitoring Activities	3.95	0.79	High
Overall Internal Control Strength	**3.95**	**0.67**	**High**

Source: Primary Data, 2026

Overall internal control strength was high (M=3.95, SD=0.67), indicating that commercial banks generally maintained robust control systems. Control activities scored highest (M=4.18, SD=0.71), suggesting strong implementation of specific procedures including approvals, authorizations, verifications, reconciliations, and segregation of duties. Risk assessment also rated highly (M=4.02, SD=0.76), reflecting systematic identification and evaluation of risks facing banks. Monitoring activities (M=3.95, SD=0.79) indicated regular assessment of control effectiveness through internal audits and management reviews. Information and communication scored lowest among components (M=3.74, SD=0.88), suggesting opportunities for improvement in information flow and communication effectiveness across organizational levels.

5.3 Financial Performance Indicators

Table 3: Financial Performance of Commercial Banks (2020-2023 Average)

Performance Indicator	Mean	Std. Deviation	Performance Level
Return on Assets (ROA %)	2.87	1.24	Moderate
Return on Equity (ROE %)	16.34	6.42	Moderate
Net Profit Margin (%)	28.45	8.67	High
Non-Performing Loan Ratio (%)	5.23	2.18	Acceptable
Cost-to-Income Ratio (%)	62.17	11.34	Moderate
Capital Adequacy Ratio (%)	21.45	5.67	Very High

Source: Primary Data, 2026

Average ROA across participating banks was 2.87% (SD=1.24), slightly below the 3% threshold often considered strong performance in emerging markets but above the 2% minimum regulatory expectation. ROE averaged 16.34%

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(SD=6.42), indicating moderate returns to shareholders with substantial variation across banks. Net profit margin was relatively high at 28.45% (SD=8.67), suggesting good operational profitability. Non-performing loans averaged 5.23% (SD=2.18), within the acceptable range below Bank of Uganda's 5% threshold for individual banks, though some institutions exceeded this benchmark. Cost-to-income ratio averaged 62.17% (SD=11.34), indicating moderate operational efficiency with room for improvement toward the 50-55% range considered optimal. Capital adequacy far exceeded the 12% regulatory minimum at 21.45% (SD=5.67), demonstrating strong capitalization and financial stability.

5.4 Challenges in Internal Control Implementation

Table 4: Challenges in Internal Control Systems Implementation (N=180)

Challenge	Frequency	Percentage
Inadequate technology infrastructure	113	62.8%
High cost of control systems	107	59.4%
Resistance from staff to control procedures	98	54.4%
Insufficient skilled personnel	89	49.4%
Complex regulatory requirements	84	46.7%
Difficulty in monitoring all activities	76	42.2%
Inadequate management support	68	37.8%
Frequent changes in business environment	62	34.4%
Integration challenges across systems	58	32.2%

Source: Primary Data, 2026

Technology infrastructure inadequacy emerged as the primary challenge (62.8%), reflecting the capital-intensive nature of modern banking control systems requiring sophisticated IT infrastructure, cybersecurity measures, and automated monitoring tools. High costs of control systems (59.4%) created resource allocation dilemmas, particularly for smaller banks with limited budgets. Staff resistance to control procedures (54.4%) indicated cultural and behavioral challenges where employees perceived controls as impediments to efficiency rather than enablers of effectiveness. Insufficient skilled personnel (49.4%) highlighted challenges in recruiting and retaining professionals with expertise in internal audit, risk management, and compliance. Complex regulatory requirements (46.7%) reflected the demanding nature of Bank of Uganda's supervisory expectations and international standards that banks needed to meet.

5.5 Correlation Analysis

Table 5: Correlation Between Internal Control Components and Financial Performance

Internal Control Component	ROA	ROE	Net Profit Margin	NPL Ratio	Cost-to-Income	Overall Performance

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Control Environment	0.634**	0.598**	0.612**	-0.543**	-0.521**	0.634**
Risk Assessment	0.741**	0.718**	0.689**	-0.698**	-0.612**	0.741**
Control Activities	0.782**	0.756**	0.734**	-0.723**	-0.687**	0.782**
Information & Communication	0.601**	0.578**	0.623**	-0.534**	-0.498**	0.601**
Monitoring Activities	0.718**	0.692**	0.701**	-0.654**	-0.621**	0.718**
Overall Internal Controls	**0.816****	**0.789****	**0.794****	**-0.767****	**-0.735****	**0.816****

**Note: ** Correlation is significant at the 0.01 level (2-tailed); Negative correlations with NPL Ratio and Cost-to-Income are positive outcomes

Source: Primary Data, 2026

Correlation analysis revealed strong positive relationships between all internal control components and financial performance indicators. Overall internal control strength demonstrated very strong correlation with overall financial performance ($r=0.816$, $p<0.01$), providing robust evidence of the positive relationship. Control activities showed the strongest individual correlation ($r=0.782$, $p<0.01$), followed by risk assessment ($r=0.741$, $p<0.01$) and monitoring activities ($r=0.718$, $p<0.01$)(Nelson et al., 2023).

Examining specific performance metrics, internal controls positively correlated with ROA ($r=0.816$, $p<0.01$), ROE ($r=0.789$, $p<0.01$), and net profit margin ($r=0.794$, $p<0.01$). Importantly, strong negative correlations existed with non-performing loan ratios ($r=-0.767$, $p<0.01$) and cost-to-income ratios ($r=-0.735$, $p<0.01$), both representing positive outcomes where lower values indicated better performance. These findings suggested that robust internal controls enhanced profitability while simultaneously reducing credit risks and operational costs.

5.6 Regression Analysis

Table 6: Multiple Regression Analysis - Internal Controls Predicting Financial Performance

Variable	Beta Coefficient (β)	t-value	Significance (p)
Control Environment	0.187	3.421	0.001**
Risk Assessment	0.298	5.234	0.000***
Control Activities	0.342	6.187	0.000***
Information & Communication	0.156	2.876	0.005**
Monitoring Activities	0.267	4.765	0.000***
Bank Size (control variable)	0.123	2.341	0.021*
Ownership Type (control variable)	0.089	1.876	0.063

Model Summary: $R^2 = 0.758$, Adjusted $R^2 = 0.741$, $F = 89.456$, $p < 0.001$

Source: Primary Data, 2026

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Multiple regression analysis confirmed that internal control components collectively explained 75.8% of variance in financial performance (R^2=0.758), representing very strong explanatory power. The model was highly significant (F=89.456, p<0.001), validating overall fitness. After controlling for bank size and ownership type, all five internal control components remained significant predictors of financial performance.

Control activities emerged as the strongest predictor (β=0.342, p<0.001), suggesting that specific procedural controls including approvals, verifications, reconciliations, and segregation of duties most directly influenced financial outcomes. Risk assessment was the second strongest predictor (β=0.298, p<0.001), indicating that systematic risk identification, analysis, and mitigation significantly enhanced performance. Monitoring activities (β=0.267, p<0.001) and control environment (β=0.187, p<0.01) also contributed substantially, while information and communication, though significant (β=0.156, p<0.01), showed weaker effects.

Comparative analysis revealed that banks classified as having "strong" internal controls (top quartile) achieved average ROA of 3.24% compared to 1.87% for banks with "weak" controls (bottom quartile), representing a 73% performance differential. Similarly, strong control banks achieved ROE of 18.6% versus 11.2% for weak control banks. These substantial differences quantified the financial value of effective internal control systems.

6. Conclusions

This study conclusively established that internal control systems exerted significant positive effects on financial performance of commercial banks in Kampala City. The very strong correlation (r=0.816) and substantial explanatory power (R^2=0.758) provided robust empirical evidence that effective internal controls were critical determinants of banking performance. Banks with comprehensive, well-implemented control systems consistently outperformed those with weak controls across multiple financial metrics including profitability, asset quality, and operational efficiency.

The finding that control activities demonstrated the strongest effect on performance highlighted the importance of specific procedural controls in daily banking operations. Effective authorization procedures, verification mechanisms, reconciliations, and segregation of duties prevented errors, detected fraud, ensured transaction accuracy, and enhanced operational efficiency. These procedural safeguards translated directly into improved financial outcomes by reducing losses, preventing resource wastage, and supporting sound decision-making.

Risk assessment emerged as another critical performance driver, confirming that systematic identification, analysis, and mitigation of risks enabled banks to avoid losses, capitalize on opportunities, and allocate resources optimally. Banks that proactively assessed and managed risks demonstrated superior asset quality, reflected in lower non-performing loan ratios, and achieved better overall profitability through risk-adjusted pricing and strategic positioning.

The strong negative correlations between internal controls and both non-performing loans and cost-to-income ratios revealed dual mechanisms through which controls enhanced performance: preventing credit losses and improving operational efficiency. This finding countered common perceptions that controls primarily imposed costs and constraints, demonstrating instead that well-designed systems actually reduced overall costs while enhancing revenue quality.

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However, the research also revealed significant implementation challenges, particularly regarding technology infrastructure, costs, and human resource constraints. These barriers suggested that while the benefits of strong internal controls were clear, achieving optimal control effectiveness required substantial organizational commitment and resource allocation. Smaller banks faced particular challenges in implementing sophisticated control systems comparable to larger institutions, potentially creating competitive disadvantages in an increasingly complex and technology-driven banking environment.

7. Recommendations

7.1 For Bank Management

Commercial bank management should recognize internal control systems as strategic investments rather than mere compliance costs, given demonstrated effects on financial performance. Resource allocation to control systems should be commensurate with their proven contribution to profitability, asset quality, and operational efficiency. Specifically, banks should prioritize strengthening control activities through automation, standardized procedures, and clear accountability frameworks that prevent errors and fraud while enhancing operational efficiency.

Management should enhance risk assessment frameworks by adopting sophisticated risk modeling techniques, conducting regular risk reviews, and integrating risk considerations into strategic planning and daily decision-making. Investment in internal audit functions should include adequate staffing with qualified professionals, provision of modern audit tools and technologies, and ensuring audit independence and authority to challenge operational practices. Technology infrastructure supporting internal controls required continuous upgrading to address emerging risks including cybersecurity threats, digital banking vulnerabilities, and data integrity challenges. Integration of control systems across different banking platforms and processes would enhance effectiveness while reducing redundancies. Management should also address cultural resistance to controls through training, communication of control benefits, and designing procedures that balanced control objectives with operational efficiency.

7.2 For Internal Audit and Risk Management Functions

Internal audit departments should adopt risk-based audit approaches that concentrated resources on areas with highest risk exposures and greatest potential impact on financial performance. Continuous auditing techniques utilizing data analytics and automated monitoring could enhance coverage while reducing time lags between control failures and detection. Audit findings should be presented with clear quantification of financial implications, demonstrating the value of control recommendations to operational management.

Risk management functions should implement comprehensive risk frameworks covering credit, market, operational, liquidity, and strategic risks in integrated approaches that recognized interdependencies. Stress testing and scenario analysis should inform risk mitigation strategies and contingency planning. Risk appetite frameworks should be clearly defined, communicated throughout organizations, and used to guide business decisions and control design.

7.3 For Bank of Uganda (Regulatory Authority)

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Bank of Uganda should continue enforcing robust internal control standards while providing technical guidance and capacity building support, particularly for smaller banks with limited resources. Regulatory examinations should increasingly focus on control effectiveness rather than merely compliance with procedures, assessing whether controls actually prevented problems and enhanced performance.

The regulator should consider developing differentiated regulatory expectations that recognized varying capabilities across bank sizes while maintaining minimum standards for all institutions. Providing platforms for sharing best practices in internal controls across the banking sector could facilitate learning and improvement, particularly benefiting banks with weaker systems.

Bank of Uganda should also mandate regular internal control assessments by external parties, ensuring independent evaluation of control effectiveness. Requiring banks to publicly disclose information about internal control frameworks and audit findings would create market discipline complementing regulatory oversight.

7.4 For Board of Directors

Bank boards should strengthen governance oversight of internal control systems by establishing dedicated audit and risk committees with qualified independent directors. Regular review of internal control effectiveness reports, audit findings, and risk assessments should be standard board agenda items with adequate time for substantive discussion.

Boards should ensure that management compensation and performance evaluation included metrics related to internal control effectiveness, risk management, and compliance, not merely financial results. This would align incentives toward sustainable performance rather than short-term profits achieved through excessive risk-taking or control shortcuts.

7.5 For Banking Industry Associations

The Uganda Bankers Association should facilitate collective capacity building initiatives including training programs, workshops, and knowledge sharing forums on internal control best practices. Smaller banks could particularly benefit from shared learning platforms that reduced individual costs of expertise development.

Industry associations should engage with regulators on regulatory reform proposals, providing practical perspectives on implementation challenges and advocating for approaches that balanced control objectives with operational realities. Developing industry-wide standards and benchmarks for internal control effectiveness would enable comparative assessment and continuous improvement.

7.6 For Future Research

Future studies should employ longitudinal designs tracking internal control evolution and performance effects over time, enabling stronger causal inferences beyond cross-sectional correlations. Investigating specific mechanisms through which individual control components influenced particular performance dimensions would provide more granular insights for targeted interventions.

Comparative research examining internal control practices across different banking markets in East Africa would reveal whether findings from Kampala generalized regionally or whether country-specific factors mediated

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relationships differently. Research should also explore optimal levels of control intensity, investigating whether excessive controls could yield diminishing returns or even negative effects through operational constraints and bureaucratic inefficiencies.

Studies examining the role of technology in enhancing control effectiveness while reducing costs would provide valuable insights for digital transformation strategies. Finally, research assessing broader stakeholder impacts of strong internal controls, including depositor confidence, investor returns, and financial system stability, would demonstrate the full value of control systems beyond individual bank performance.

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