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INTERNAL CONTROL AND BANK PERFORMANCE: EVIDENCE FROM SELECTED COMMERCIAL BANKS IN NIGERIA

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Abstract

Despite the crucial role played by the banking sector in regulating the economy worldwide and the significant failures and crises it has experienced in the past for which its weakness in internal control was responsible, a majority of the studies concerning the connection between internal control and firm performance were carried out employing members from numerous sectors other than the sector. This research examines the effect of the compliance with internal control system on the performance of banks in Nigeria. Using the survey research approach, the extent the compliance with internal control system has affected the indicators of performance in banks was examined. Frequency tables and percentages were employed to collate and arrange the views of those that responded to the questionnaires distributed. The hypotheses of the study were tested using one sample-t test technique. The research had a population of 84, while the size of the sample was 69. The results indicate that internal control system has a strong and positive impact on the performance of deposit-money banks in Nigeria. This suggests that bank management should entrench significant internal control components in their banks to achieve optimal performance.

1.0 Introduction

The current collapse of high-profit organizations globally has proved that no organization is too big to fail (Umar & Dikko, 2018). The banks in the universe have experienced astonishing collapse and crises some years in the past. One of the causes of this failure is weakness in internal control (Umar & Dikko, 2018). For instance, the latest unethical behaviors in Oceanic bank, International Bank and bank PHB in Nigeria and Alpha bank in South Africa have shown situations where corporate organizations engaged in unethical accounting strategies by hiding relevant facts concerning their financial data (Cohen et al., 2012). Their assets were sold to generate cash for clearing outstanding debts owed to creditors. Alternatively, some of those banks were subjected to take-over by their competitors as a result of their reported inability to settle financial liabilities as they encounter liquidity

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challenges (Kori et al., 2022). Several stakeholders and shareholders have been worried concerning the roles of internal control and degree to which its processes are efficient in the finance industry. As noted by Kori et al. (2022), there are speculations among shareholders that the lack of efficient internal control mechanisms in the sector is responsible for the firms' financial challenges. Central banks governments are often deeply concerned about the collapse of banks due to its systematic nature. It often exacerbates recessions and leads to crises. Bank for international settlements, 2011).

An internal control system that is strong is can contribute to make sure that a bank's aims and objectives are attained, that the bank meets its profitability targets in the long run as well as ensure reliable financial and managerial reporting (Gamage et al., 2014). A firm's internal control efficacy defines the degree to which its organizational system drives the attainment of its corporate intentions. For profit-oriented organizations such as deposit-money banks, these aims and objectives relate to monetary and non-monetary accomplishments. Umar & Dikko, 2018). Unfortunately, weakness of internal control system, which is one of the challenges of the banking industry, has created opportunity for rogue merchants to bring about heavy financial losses to banks (Ayagre et al., 2014). For the financial sector in Nigeria, Adeyemi and Adenugba (2011) affirm that it has its calamity traceable to several factors including huge non-performing loans, absence of transparency, inadequacy of capital, ineffective internal control, compromised external audit, etc.

Problem Statement

Even though several scholars have strived to determine the role that internal control it plays in enhancing performances of institutions (Ejoh & Ejom, 2014; Oyoo, 2014), some of their works were limited in scope with regard to the choice of internal control system dimensions used. Additionally, some of the studies suffer the weakness in choice of methodology by focusing on examining how internal controls influence performance while using only the correlation method. Their findings end up being inconclusive because correlation analysis is only sufficient for examining associations between variables and not the extent to which one variable causes or predicts the outcome an of another the (Fink, 2013).. Also, notwithstanding the studies concerning the impact of internal cont. on the financial performance of banks in Nigeria are few (Umar & Dikko, 2018). Few cases include Umar and Dikko (2018) that examined the influence of internal control system on the performance of commercial banks in Nigeria, Adeyemi and Adenugba (2011) that investigated the efficacy internal control and external audit on corporate governance in the Nigerian financial sector, Omonyemen et al. (2017) who wanted to establish the part played by internal control preventing, detecting and eradicating frauds in the commercial banks in Nigeria and Idogei (2017) and Azeez et al (2023) who evaluated the impact of internal control on the detection and prevention of financial fraud in the Nigerian commercial banks. Again, even though several commercial banks have integrated internal control systems to discourage, uncover frau and mistakes that could be experienced during banking operations, many have collapsed. The implication of the discussions above is that there are some gaps in literature concerning the role that internal control system plays in the overall performance of banks. To fill these gaps and add to the body of knowledge, this research explores the effect of some of the elements of internal control system on the performance of commercial banks in Nigeria. Specifically, this study has the intention of evaluating the effects of three elements of internal control on the performance of some deposit-money banks with branches located in Enugu State.

The research hypotheses are as follows: -

H₀₁: Control environment has no significant effect on the performance of commercial banks in Nigeria;

H₀₂: Risk assessment has no significant effect on the performance of commercial banks in Nigeria;

H₀₃: Control activities have no significant effect on the performance of commercial banks in Nigeria.

The results of this research will assist several regional and national banks in Nigeria, governments, business analysts, the accounting profession and researchers by making available to them a well-informed tool for policy improvement. Further, they will boost understanding regarding how internal control relates with bank performance how various stakeholders in bank business make suitable decisions with ease and precision. The rest of this work was arranged as follows: Section 2 provides the literature review. Section 3 contains the methodology. Section 4 highlights the data analyses and presentation of results while section 5 concludes the paper.

2.0 Review of related literature

2.1 Conceptual Framework

2.1.1 Internal control

The Statement of Accounting Standards (SAS considers internal control as the unified programme, method and procedures that is capable of protecting the assets of the firm, protects the assets of the company, boost its productivity in operations, and promote conformity to established regulations (Hayes, 2019). Internal control envelopes the totality of the processes, approaches and controls put established by an organization to enhance the probability to achieve its business objectives (Institute of Internal Auditors (IIA),2012; Yousef, 2017).

2.1.2 Reason for internal control

Hayali et al. (2013) assert that internal controls assist the financial sector to present its viable a resilient and stable perspective in the presence of the international spectators. COSO (1992) explains that the major aim of internal control process could be grouped as (i) compliance with applicable laws and regulations;(ii) dependability of financial reporting; and(iii) effectiveness and efficiency of operations.

2.1.3 Internal Control Components

The Committee of Sponsoring Organisation of the Treadway Commission (COSO) regard internal control as a combined structure which was that was issued originally in 1992 and developed as an instruction to assist in improving trust in all kinds of data and information. According to COSO framework, it has five components. These include the control environment, risk assessment process of the entity, the information and communication systems, control activities and monitoring of controls (COSO, 1992). Ayagre et al (2014). contend that for a firm to achieve its organizational objectives, it has to merge the elements of internal control with its management processes.

2.1.3.1 Control environment

This consists of the attitudes, awareness, integrity and ethical values of all the workers. Also, control environment encompasses the actions of management, directors and those charged with governance in an organization (Gamage al., 2014; Mary et al., 2014). It determines the direction to be followed by the firm and has some influence on the mind-set of the workers; every other component of internal control of internal control system is dependent on it (Umar and Dikko,2018) .

2.1.3.2 Risk Assessment This concerns the steps aopte by an organization to identify and respond to business risks and the outcomes emerging there from (Mary et al., 2014). Risk assessment is the procedure for identifying the errors that can occur and following some processes, procedures, policies and control for uncovering those errors and preventing them (Umar & Dikko,2018; Frazer, 2012).

2.1.3.3 Information and Communication System

This is another element of internal control system which makes it possible for information to be obtained both horizontally and vertically and ensures that there is a communication among the employees. These are possible only when the management information system and its information subsystems are ordered in a disciplined and responsive way (Hayali et al., 2013).

2.1.3.4 Monitoring

Monitoring is aimed at finding out if internal control is efficient, properly implemented, and sufficiently designed (Umar and Dikko,2018).

2.1.4 Concept of Banking

Banking is about the techniques and processes utilized to gather, manage, allocate, and utilize financial resources.

2.1.5 Commercial Banking in Nigeria

Commercial banks (Deposit Money Banks) are financial entities approved by the relevant regulatory body to receive deposits from the economy's surplus units (Abdulrahman & Ajayi, 2022) and provide loans, certificates of deposit, savings bank accounts, bank overdrafts, etc. to their customers. DMBs function as financial intermediaries by channeling funds from savers to firms and individuals in need of capital (Sanusi,2012). As at June 30, 2021, the DMBs in Nigeria that possessed commercial banking license with international authorization were Access Bank Plc, Fidelity Bank Plc, First City Monument Bank Plc, First Bank Nigeria Ltd, Guaranty Trust Bank, Union Bank of Nigeria Plc, United Bank of Africa Plc and Zenith Bank Plc (CBN,2021).

2.1.6 Bank performance

The extant literature posits that measuring bank performance would depend on both accounting and market measures. Some works have employed varying kinds of measures of performance. For a more comprehensive assessment, some firms have resorted to utilizing both monetary and non-monetary measures. (Umar & Dikko,2018). For example, Judge et al. (2003) employed indicators like financial profitability, growth in size/assets, customer satisfaction, product/service quality, capacity utilization, improvements in process, employment stability, employee training. Return on equity, (ROE), return on assets (ROA) and net interest margin (NIM) are often used as proxies for financial performance. (Umar & Dikko,2018)

2.2 Theoretical Framework

2.2.1 Agency Theory

The agency theory hypothesizes the principals-specialists connection where principals are the investors while the specialists are the corporate officials (Jensen & Meckling, 1976). The theory posits that sometimes, management does not really care for the aspiration of the shareholders which is the maximization of their wealth (Wanyiri, 2019). It claims that most often the management team award themselves salaries that are bigger than what investors would consider appropriate and that, probably, they will not work productively to increase investors' wealth if they perceive that they will not benefit from the fruits of their labor. Consequently, a common strategy employed by shareholders in any firm to control the performances of management is to agree on the guidelines for decision –making by the managers while implementing the business policies the shareholders have the responsibility of monitoring the activities of the managers to ensure that the actions of the managers remain beneficial to the shareholders. This theory is highly applicable since it helps to emphasize the need for creating strong tools of corporate governance in companies (Umar & Dikko,2018).

2.3 Empirical review

Adeyemi and Adenugba(2011) did a study and found that weak internal control system brings about often causes non-compliance with rules and regulations on operations, performance and procurement control. In addition, the authors observed that weak internal control system did not lead to proper financial accountability, budgetary control on expenditure and adequate utilization of donor funding. Ayagre et al. (2014) sought to determine the degree of effectiveness of internal control systems of Ghanaian banks. The data for the research was gathered using questionnaires administered that were to managers of all the banks in Ghana SPSS was employed for data analysis. The results showed that strong controls exist in control environment a monitoring activities element of the internal control systems of Ghanaian banks. Kumuthinidevi (2016) studied the effectiveness of internal control system in the private banks of Trincomalee, Sri Lanka. The study employed secondary and primary data. The

questionnaires were shared among permanent workers of ten banks. Univariate and well as bivariate analysis were employed for data analysis. Study findings showed that all the variables' variables, such as control environment, risk assessment, accounting information and communication, control activities and self-assessment were moderately supportive in the Rennox (2017) also studied the impact of internal controls on the financial performance of deposit money banks in Kenya. 43 commercial banks were used by the study, while primary data were collected using some structured questionnaire. The authors obtained descriptive statistics from the data. The inferential findings and the correlation between internal control and financial performance were obtained presented using correlations and regression tables. The results indicated that the deposit money banks that effectively implemented the elements of internal control had relatively better financial performance. Regression results indicated that there existed a strong positive association between internal controls and the financial performance of deposit money banks in Kenya. Umar and Dikko (2018) explore the effect of internal control systems on the performance of Nigerian deposit money banks. The authors used a survey research approach and stratified random sampling technique, in whereby a total of 382 questionnaires were shared among the staff of marketing, or security department in the commercial banks in Nigeria. They used a 5-point Likert-scale for the questionnaire while analyzing the data with SPSS version 23 (v23) and Smart PLS 3. The outcome of the inquiry showed that there is a positive and strong link among the for elements of internal control environment, control activities, monitoring and risk assessment) a bank performance. However, information and communication were observed to be having a weak positive link with bank performance. Nwobodo et al. (2020) examined the impact of internal control system on non-financial performance of some listed commercial banks in Nigeria, using a survey research design. The population of commercial banks' staff was 568. The sample size determined using the Cochran approach was 292. The reliability coefficient was in the range of from 0.71 to 0.94. The findings of the study indicate that internal control system has a strong and positive impact on the efficient and operational performance of selected banks with ($P < 5\%$). Otoo et al. (2021) investigated the impact of internal control systems on the performance of universal banks in Ghana, using quantitative research method. Questionnaire was employed for obtaining data from 160 respondents of 20 branches of the banks. PSS version 21 was employed for data analysis, while employing regression as the analytical tool. The findings indicate that while some of the elements of internal control system influence the performance of the universal banks, control environment a control activity does not. Risk environment was observed to be having a positive and strong influence on the performance of the Ghanaian universal banks. In addition, the study note that information and communication have strong impact just as monitoring has significant and positive effect on bank liquidity, a proxy for performance. Otoo et al. (2023) studied the effect of internal control systems on the effectiveness of the banking industry using data collected from 15 commercial and 20 rural banks. A structural equation modeling was employed in testing the conceptual model and hypothesis. Results indicated that organizational efficacy was strongly affected by control activities, control environments and risk assessment. On the other hand, both monitoring and information and communication have weak strong effect on organizational effectiveness Azeez et al. (2023) explored the impact of internal control on detecting and preventing fraud in Nigeria's commercial banks. The authors used descriptive research design. They collected primary data from the management staff of FUGAZ banks and analyzed them using descriptive statistics of the demographics of the respondents, correlation analysis, OLS Multiple regression and post-estimation tests. The findings showed that all the elements of internal control system have positive and strong link with detecting and preventing fraud in Nigeria's DMBs.

3.0 Methodology

3.1 Research Design

This work used survey research design. The research data were obtained through structured questionnaires (see appendix) that were shared among the staff of the selected deposit money banks in Nigeria, namely First Bank of Nigeria Limited, Zenith Bank Plc, Union Bank of Nigeria Plc, Fidelity Bank Plc, Access bank Plc and Ecobank Nigeria). The relevant bank staff include managers, internal control officers, and security officers in the branches of those banks located in Enugu State. 84 structured questionnaires were distributed by self-hand delivery through simple random selection method. Out the total number of questionnaires distributed, 69 were returned while 4

were severely damaged. From the 69 collected questionnaires, only 65 were found useful for further analysis as 4 were excluded from analysis for either not being duly completed or having issues of outliers. The questionnaires were grouped into five sections representing the demographic section, three control components (control environment, risk assessment and control activities) of the COSO model and bank performance adapted from Umar and Dikko (2018). Responses received from the respondents were based on a 4-point likert scale, ranging from very great extent (VGE) to very low extent (VLE) on all questions on each of the three elements of internal control system. 4 represented VGE while 1 represented (VLE). The likert scale was employed to measure respondents' knowledge and view of internal control effectiveness and the banks' performance (see appendix).

3.2 Sectoral distribution of the population of the study Table 1 indicates the manner of distributing the population of the study. Table 1 shows how the population of the study (84) was distributed

Table 1: Target Population

Sectorial Distribution	No of staff targeted	Percentages
Managers	28	33.3%
internal control officers,	36	42.9%
security officers	20	23.8%
Total	84	100%

3.3 Sample and sampling technique

The study's sample was distributed using the Taro Yamane's finite population formula from 1964 thus:

:

$$n = \frac{N}{1 + N(e)^2}$$

Where: n= Desired sample size

N= the entire population

e= level of significance or limit of tolerable error assumed to be 5% or 0.05

I= unit, constant figure

Therefore

$$N = \frac{N}{1 + N(e)^2}$$

$$n = \frac{84}{1 + 84(0.05)^2}$$

$$n = \frac{84}{1 + 84(0.0025)}$$

$$n = 69.42$$

$$n = 69$$

3.4 Apportionment of the sample size

The sample size was apportioned among the groups (see table 2):

Table 2: Apportionment of the sample size

S/N	Group	Number allocated
1	Managers	23
2	Internal control officers	30
3	Security officers	16
	Total	69

--

3.5 Test for the validity and reliability of the test instrument

Data accuracy is greatly affected by the technologies employed for collecting data (Mugenda & Mugenda 2003). The validity and reliability of the test instruments ensured by pre-testing the sample to confirm the the coefficients' dependability. The validity of the data generate from the selected sample was investigated

3.6 Model specification

To analyze the data collected for the research, the t-test statistic was used.

The t- test statistic is given by the formula: -

$$t = \frac{\sum d}{\sqrt{\frac{N \sum d^2 - (\sum d)^2}{N-1}}}$$

D= Difference between each paired observation

d²= the square of difference between each paired observation

N= the number of paired observations

$\sum$ = the usual stigma notation

N-1 = the degree of freedom

Decision Rule

The alternate hypothesis is accepted if the level of significance of the t-calculated is less than 0.05; otherwise, the null hypothesis is accepted.

4.0 Data presentation and analysis

4.1 Descriptive Analysis

69 responses were received for the study out of the 84 questionnaires distributed to the staff of the banks. In the demographic section, the questions relate to the gender and age of the respondents. On the whole, 43 (66.2 per cent) of the respondents to the questionnaires in this study are males, while 22 (33.8 per cent) are females (Table3).

Table 3: Gender

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	43	66.2	66.2	66.2
Female	22	33.8	33.8	100.0
Total	65	100.0	100.0	

Source: Field survey 2023 [SPSS COMPUTATION]

Majority of the respondents are aged between 35 and 44 years (36.9 per cent), followed by those aged 45-54 years (21.5 per cent), 55-64 years (16.9 per cent), and 25-34 years (15.4 per cent). However, no respondents is aged 65 or above (Table 4).

Table 4: Age

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 25-34Yrs	10	15.4	15.4	15.4
35-44Yrs	24	36.9	36.9	52.3
45-54Yrs	14	21.5	21.5	73.8
55-64Yrs	11	16.9	16.9	90.8
65 Years and Above	6	9.2	9.2	100.0
Total	65	100.0	100.0	

Source: Field Survey 2023 (SPSS Computation)

The researcher targeted to reach three groups in the banks, including managers internal control, officers and security officers. Among the 65 respondents, 23 (35.38 per cent) were found managers, while 30 (46.15 per cent) were internal control officers and 12 (18.47 per cent) were security officers. Finally, the level of education of the respondents were categorized into five levels Secondary Certificate, OND/NCE, University degree/HND, Postgraduate, and others. Most of the respondents were found to be possessing University degree/HND. They were 36 (55.38 per cent), The respondents having postgraduate degrees numbered 26 (40 per cent). Only 3 (4.62 percent) had OND/NCE Certificate. None of the respondents had only secondary certificate.

4.2 Data Analysis

4.2.1 First research question: *Does Control environment have significant effect on the performance of commercial banks in Nigeria?*

Table 5: The Control environment in your bank includes the attitudes, awareness, and actions of management and directors.

	Frequency	Percent	Valid Percent	Cumulative Percent
Very great extent	35	53.8	53.8	53.8
Great extent	24	36.9	36.9	90.7
Valid low extent	4	6.2	6.2	96.9
Very low extent	2	3.1	3.1	100.0
Total	65	100.0	100.0	

Source: Field survey 2023 [SPSS COMPUTATION]

From the result of the summary statistics in table 5, 35(53.8%) of the respondents affirm very great extent, 24(36.9%) affirm great extent, 4(6.2%) affirm low extent while 2(3.1%) affirm very low extent. Hence, we conclude that control environment in the banks includes the attitudes, awareness, and actions of management and directors.

Table 6: The control environment in the bank also includes management and those charged with governance concerning the bank's internal control and its importance.

	Frequency	Percent	Valid Percent	Cumulative Percent
Very great extent	32	49.2	49.2	49.2
Great extent	25	38.5	38.5	87.7
Valid low extent	4	6.2	6.2	93.8
Very low extent	4	6.2	6.2	100.0
Total	65	100.0	100.0	

Source: Field survey 2023 [SPSS COMPUTATION]

From the result of the summary statistics in table 6, 32(49.2%) of the respondents affirm very great extent, 25(38.5%) affirm great extent, 4(6.2%) affirm low extent while 4(6.2%) affirm very low extent. Hence, we conclude that control environment in the banks also includes management and those charged with governance concerning the bank's internal control and its importance.

Table 7: The control environment in the bank contains all the factors that are efficient in establishing, boosting or reducing the efficacy of policies, processes and methods that are specific to a process.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Very great extent	29	44.6	44.6	44.6
Great extent	27	41.5	41.5	86.2
low extent	4	6.2	6.2	92.3
Very low extent	5	7.7	7.7	100.0
Total	65	100.0	100.0	

From the result of the summary statistics in table7, 29(44.6%) of the respondents affirm very great extent, 27(41.5%) affirm great extent, 4(6.2%) affirm low extent while 5(7.7%) affirm very low extent. Hence, we conclude that the control environment in the bank contains all the factors that are efficient in establishing, boosting or reducing the efficacy of policies, processes and methods that are specific to a process

Table 8: The control environment in the bank promotes proper accounting and transparency

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Very great extent	37	56.9	56.9	56.9
Great extent	22	33.8	33.8	90.8
low extent	5	7.7	7.7	98.5
Very low extent	1	1.5	1.5	100.0
Total	65	100.0	100.0	

Source: Field survey 2023 [SPSS COMPUTATION]

From the result of the summary statistics in table8, 37 (56.9%) of the respondents affirm very great extent, 22 (33.8%) affirm great extent, 5 (7%), affirm low extent while 1(1.5%) affirm very low extent. Hence, we conclude that the control environment in the bank promotes proper accounting and transparency.

Table 9: The control environment in the bank stands out with the fundamental understanding by the senior management of the bank that they should control the bank and its attitude towards solving problems and having the perspective of the significance of moral values.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Very great extent	32	49.2	49.2	49.2
Great extent	26	40.0	40.0	89.2
low extent	6	9.2	9.2	98.5
Very low extent	1	1.5	1.5	100.0
Total	65	100.0	100.0	

Source: Field survey 2023 [SPSS COMPUTATION]

From the result of the summary statistics in table 9, 32(49.2%) of the respondents affirm very great extent, 26(40.0%) affirm great extent, 6(9.2%) affirm low extent while 1(1.5%) affirm very low extent. Hence, we conclude that the control environment in the bank stands out with the fundamental understanding by the senior management of the bank that they should control the bank and its attitude towards solving problems and having the perspective of the significance **of moral values**.

4.2.2

The second research question: *Does risk assessment process have a strong influence on the performance of commercial banks in Nigeria?*

Table 10: There is a procedure for identifying and responding to business risks and the outcomes thereof in the bank.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Very great extent	34	52.3	52.3	52.3
Great extent	23	35.4	35.4	87.7
low extent	8	12.3	12.3	100.0
Total	65	100.0	100.0	

From the result of the summary statistics in table8, 10, 34(52.3%) of the respondents affirm very great extent, 23(35.4%) affirm great extent, 8(12.3%) affirm low extent while 1(1.3%) affirm very low extent. Hence, we conclude that there is a procedure for identifying and responding to business risks and the outcomes thereof in the bank.

Table 11: The bank has put in place a risk assessment procedure for identifying potential errors and implementing procedures, policies and control to detect those errors and prevent them.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Very great extent	29	44.6	44.6	44.6
Great extent	28	43.1	43.1	87.7
low extent	7	10.8	10.8	98.5
Very low extent	1	1.5	1.5	100.0
Total	65	100.0	100.0	

Source: Field survey 2023 [SPSS COMPUTATION]

From the result of the summary statistics in table8, 11, 29(44.6%) of the respondents affirm very great extent, 28(43.1%) affirm great extent, 7(10.8%) affirm low extent while 1(1.5%) affirm very low extent. Hence, we conclude that the bank has put in place a risk assessment procedure for identifying potential errors and implementing procedures, policies and control to detect those errors and prevent them.

Table 12: The bank assesses and pinpoint alterations that can greatly influence the internal control system

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Very great extent	35	53.8	53.8	53.8
Great extent	24	36.9	36.9	90.8
low extent	4	6.2	6.2	96.9
Very low extent	2	3.1	3.1	100.0
Total	65	100.0	100.0	

Source: Field survey 2023 [SPSS COMPUTATION]

From the result of the summary statistics in table8, 12, 35(53.8%) of the respondents affirm very great extent, 24(36.9%) affirm great extent, 4(6.2%) affirm low extent while 2(3.1%) affirm very low extent. Hence, we conclude that the bank assesses and pinpoint alterations that can greatly influence the internal control system

Table 13: The bank contemplates on the likelihood of fraud in evaluating the risks to achieving its goals.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very great extent	36	55.4	55.4	55.4
	Great extent	19	29.2	29.2	84.6
	low extent	6	9.2	9.2	93.8
	Very low extent	4	6.2	6.2	100.0
	Total	65	100.0	100.0	

Source: Field survey 2023 [SPSS COMPUTATION]

From the result of the summary statistics in table8, 13, 36(55.4%) of the respondents affirm very great extent, 19(29.2%) affirm great extent, 6(9.2%) affirm low extent while 4(6.2%) affirm very low extent. Hence, we conclude that the bank contemplates on the likelihood of fraud in evaluating the risks to achieving its goals.

Table 14: The bank specifies objectives with sufficient clarity to facilitate the assessment and recognition of the risks that are linked to objectives.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very great extent	34	52.3	52.3	52.3
	Great extent	25	38.5	38.5	90.8
	low extent	4	6.2	6.2	96.9
	Very low extent	2	3.1	3.1	100.0
	Total	65	100.0	100.0	

Source: Field survey 2023 [SPSS COMPUTATION]

From the result of the summary statistics in table 14, 34(52.3%) of the respondents affirm very great extent, 25(38.5%) affirm great extent, 4(6.2%) affirm low extent while 2(3.1%) affirm very low extent. Hence, we conclude that the bank specifies objectives with sufficient clarity to facilitate the assessment and recognition of the risks that are linked to objectives.

4.2.3 The third research question: Do control activities have strong influence on the performance of commercial banks in Nigeria?

Table 15: The bank has procedures and policies that ensure that management directives are executed.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very great extent	40	61.5	61.5	61.5
	Great extent	20	30.8	30.8	92.3
	low extent	4	6.2	6.2	98.5
	Very low extent	1	1.5	1.5	100.0
	Total	65	100.0	100.0	

Source: Field survey 2023 [SPSS COMPUTATION]

From the result of the summary statistics in table 15, 40(61.5%) of the respondents affirm very great extent, 20(30.8%) affirm great extent, 4(6.2%) affirm low extent while 1(1.5%) affirm very low extent. Hence, we conclude that the bank has procedures and policies that ensure that management directives are executed.

Table 16: Necessary steps are usually taken to handle the risks involve in achieving the bank's objectives.

	Frequency	Percent	Valid Percent	Cumulative Percent
Very great extent	32	49.2	49.2	49.2
Great extent	25	38.5	38.5	87.7
Valid low extent	5	7.7	7.7	95.4
Very low extent	3	4.6	4.6	100.0
Total	65	100.0	100.0	

Source: Field survey 2023 [SPSS COMPUTATION]

From the result of the summary statistics in table 16, 32(49.2%) of the respondents affirm very great extent, 25(38.5%) affirm great extent, 5(7.7%) affirm low extent while 3(4.6%) affirm very low extent. Hence, we conclude that necessary steps are usually taken to handle the risks involve in achieving the bank's objectives.

Table 17: There are both manual and automated instruments in the bank that are employed to minimize the risks that can hiner the achievement of its goals and mission.

	Frequency	Percent	Valid Percent	Cumulative Percent
Very great extent	35	53.8	53.8	53.8
Great extent	24	36.9	36.9	90.8
Valid low extent	4	6.2	6.2	96.9
Very low extent	2	3.1	3.1	100.0
Total	65	100.0	100.0	

Source: Field survey 2023 [SPSS COMPUTATION]

From the result of the summary statistics in table 17, 35(53.8%) of the respondents affirm very great extent, 24(36.9%) affirm great extent, 4(6.2%) affirm low extent while 2(3.1%) affirm very low extent. Hence, we conclude that there are both manual and automated instruments in the bank that are employed to minimize the risks that can hiner the achievement of its goals and mission.

Table 18: The bank engages in control activities which are related to the audit including performance review, information processing, physical control and segregation of duties.

	Frequency	Percent	Valid Percent	Cumulative Percent
Very great extent	34	52.3	52.3	52.3
Great extent	23	35.4	35.4	87.7
Valid low extent	7	10.8	10.8	98.5
Very low extent	1	1.5	1.5	100.0
Total	65	100.0	100.0	

Source: Field survey

From the result of the summary statistics in table 18, 34(52.3%) of the respondents affirm very great extent, 23(35.4%) affirm great extent, 7(10.8%) affirm low extent while 1(1.5%) affirm very low extent. Hence, we conclude that the bank engages in control activities which are related to the audit including performance review, information processing, physical control and segregation of duties

Table 19: The bank has selected and developed broad control activities over innovation to support the attainment of its goals.

	Frequency	Percent	Valid Percent	Cumulative Percent
Very great extent	35	53.8	53.8	53.8
Great extent	24	36.9	36.9	90.8
low extent	5	7.7	7.7	98.5
Very low extent	1	1.5	1.5	100.0
Total	65	100.0	100.0	

Source: Field survey 2023 [SPSS COMPUTATION]

From the result of the summary statistics in table 19, 35(53.8%) of the respondents affirm very great extent, 24(36.9%) affirm great extent, 5(7.7%) affirm low extent while 1(1.5%) affirm very low extent. Hence, we conclude that the bank has selected and developed broad control activities over innovation to support the attainment of its goals

Test of hypotheses

a.Hypotheses one H_{01} : Control environment has no significant effect on the performance of commercial banks in Nigeria.

Table 20: One-Sample Test

Table 20: One-Sample Test

	Test Value = 0					
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Null Hypothesis Control environment does not have a significant effect on the performance of commercial banks in Nigeria.	0.006	64	.011	0.03300	0.021	0.302

Source: SPSS Computation 2021

The decision rule is that the null hypothesis is accepted if the value of the t-statistics exceeds 0.05. The value of the t-statistics (0.006) in table 20 is below 0.05. Consequently, we dismiss the null hypothesis and conclude that Control environment has no significant effect on the performance of commercial banks in Nigeria

b.Hypotheses Two; H_{02} : Risk assessment has no significant effect on the performance of commercial banks in Nigeria

Table 21: One-Sample Test

Table 21: One-Sample Test

	Test Value = 0					
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Risk assessment process does not have a significant effect on the performance of commercial banks in Nigeria.	0.046	64	.041	0.00130	0.12	0.34

Source: SPSS Computation 2021

The decision rule is that the null hypothesis is accepted if the value of the t-statistics exceeds 0.05. The value of

the t-statistics (0.046) in table 21 is below 0.05. Consequently, we dismiss the null hypothesis and conclude that risk assessment has significant effect on the performance of commercial banks in Nigeria.

c. Hypotheses Three

H₀₃: Control activities have not significant effect on the performance of commercial banks in Nigeria

Table 22: One-Sample Test

Table 22: One-Sample Test

	Test Value = 0					
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Null Hypothesis Control activities do not affect the performance of commercial banks in Nigeria significantly	0.041	64	.001	0.00220	0.12	0.34

Source: SPSS Computation 2021

The decision rule is that the null hypothesis is accepted if the value of the t-statistics exceeds 0.05. The value of the t-statistics (0.041) in table 22 is below 0.05. Consequently, we dismiss the null hypothesis and conclude that Control activities have significant effect on the performance of commercial banks in Nigeria.

4.3 Discussion of Findings

The study offers important empirical insights in understanding the impact of internal control systems on the performance of banks. Indicate great and positive impact of control environment, risk assessment and control activities on the attainment of the goals of Nigerian banks. The findings agree with those of extant works that conclude that control environment discipline and structure contribute positively in achieving internal control goals and ameliorating system quality (Chiu&Wang,2019; Peterson,2018). In addition, the findings of this work align with previous studies that observed that control activities help in the management of business risks and assist organizations to accomplish their goals ((COSO,2013; GamageLow&Keving,2018). Further, there are consonant with Chen et al. (2018) that found that risk assessment helps in pinpointing. relevant risks that can affect the attainment of management goals. The practical implication is that internal control system increases operational efficiency, effectiveness and competitive advantage (Otoo,2019a).

5.0 Conclusion and recommendation

The study evaluates the impact of internal control system on the performance of commercial banks in Nigeria. Out of the 22 deposit money banks in the country, 5 of those listed were selected for the study judgmentally. 84 employees constituted the study's population. To distribute the structured questionnaires, the study sample of 69 was determined, using the Taro Yamani formula. Only 65 of the questionnaires given to the respondents were correctly filled out and returned-test was employed for statistical analysis. The findings showed that internal control system has some significant and positive effect on the performance of deposit money banks in Nigeria. The results of this study have significant implications for the policymakers and regulators that intend to boost efficiency of internal control system in commercial banks. The study suggests that commercial bank management in Nigeria should establish internal control components in order to attain optimal performance.

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