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The Impact of Internal Control on the Performance of SMEs in Cameroon

DADEM KEMGOU Edouard Guilaire[1], ONGONO AMOGO Tobie Nicaise[2] and AKOSO Wilfred Nebasi[3]

[1]*Department of Banking and Finance of the University of Bamenda. E-mail: dadem.edouard@yahoo.fr*
[2]*Department of Accounting and Finance of the University of Dschang (Cameroon)*
E-mail: tobieongono@yahoo.com
[3]*Department of Accounting of the University of Bamenda (Cameroon). E-mail: will.akoso10@gmail.com*

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Abstract: The aim of this study was to examine the impact of internal control on the performance of SMEs in Cameroon. This is due to the fact that many SMEs are family owned and owners are not always put qualified people to assure control. As a result, internal control is often neglected, especially in accounting which can lead to erroneous decisions. Drawn from the literature, independent variables namely, internal tools, determinants of performance, challenges of internal control and impact of internal control were formulated to link each research question and joint their impact on performance indicators such as management, organization and profitability. It is in this view that the followings hypotheses have been sated: there is no relationship between internal control system and performance of SMEs, there is strong relationship between internal control system and performance of SMEs, there is a significant influence of tools and determinants of the internal control on the performance of SMEs. In order to test these hypotheses, we used the multiple regression analysis, and the technique of estimations was the ordinary least squares and the data were extracted from a questionnaire. The results found a positive significant relationship between internal tools, determinants of performance, challenges of internal control and the performance of SMEs in Cameroon. This indicates that there is a direct relationship between internal tools, determinant of performance, challenges of internal control and performance of SMEs in Cameroon. The results also find a positive but non-significant relation between impact of internal control and performance of SMEs in Cameroon.

Keywords*:* internal tools, determinants of performance, performance of SMEs.

I. GENERAL INTRODUCTION

In accounting and auditing, internal control is defined as a process affected by an organization's structure, work and authority flows, people, and management information

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systems, designed to help the organization accomplish specific goals or objectives Mohammed Yousef Ayyash (2017). It is a means by which an organization's resources are directed, monitored, and measured. It plays an important role in preventing and detecting fraud and protecting the organization's resources, both physical (e.g., machinery and property) and intangible (e.g., reputation or intellectual property such as trademarks). At the organizational level, internal control objectives relate to the reliability of financial reporting, timely feedback on the achievement of operational or strategic goals, and compliance with laws and regulations. At the specific transaction level, internal control refers to the actions taken to achieve a specific objective (e.g., how to ensure the organization's payments to third parties are for valid services rendered.). Internal control procedures reduce process variation, leading to more predictable outcomes (Kieso, 2010).

Small and Medium Sizes Enterprises (SMEs) play a great role in an economy. SMEs are income generating entities to their owners, sources of national outputs and revenues as well as acting as feedstock for large entities or firms (Olatunji, 2013). SMEs have a great significance going by a fact they account for 90 percent of entities and 60 percent of employment opportunities all over the world. Due to the current increase in both unemployment levels all over the globe, SMEs are providing an alternative to conventional industrialization (Mutandwa *et al.*, 2015).

Reasonable assurance concept affirms that a high level of assurance, constrained by benefits and costs of setting up an incremental control procedures which have the potential of leading a high performance level of SMEs (Shanmugam *et al.*, 2012). Thus, internal control is a vital part of management process by which entities manage their activities and operations so as to accomplish their missions and objectives in an effectively and efficiently manner (IFAC, 2012). Internal controls have the potential of providing a reasonable assurance and not an absolute assurance in regard to achieving the entities set goals and objectives. Implementation of a proper system will enable an entity to operate in more effective and efficient manner (Sulaiman *et al.*, 2008). It is difficult for entities to know if they have complete and accurate information if they lack proper internal control system (Long, 2009).

The African image of the family business can be defined as a unit responsible for producing and selling goods and services on the market, a unit belonging to persons linked by direct or indirect filiations using informal contracts. Priority of which is to obtain a minimum profit allowing the security of the capital invested and the survival of the members of the family. From this point of view, the family business is distinct from the individual and corporate enterprise. According to Bauman (2003), the family business occupies important economic functions in African countries, but tends to be gradually replaced by individual enterprise because of the increasing urbanization and individualization of society. Its relative importance derives from the fact that the family continues to constitute a forum for the security of individuals in the face of the vulnerability of the economic and social environment.

Many SMEs are family owned and owners are not always put qualified people to assure control. As a result, internal control is often neglected, especially in accounting which can lead to erroneous decisions. If internal control was carried out in an efficient and professional way, would it improve the quality and performance of these companies? Even the big companies on this control are not left out considering the financial scandals; even though these companies have internal audit committee's ant yet in these cases accounting shows that everything is going well. Was the internal control carried out efficiently? In addition to this, there are also some companies in which there is no internal control service for several years and once the external control shows, it lead to negative consequences for the company. To understand these notions, it will be important to give the research question that will enable to lead to the objectives.

SMEs play very vital role in economy of any nation particularly for developing nations and economically emerging nations (Chakraborty, 2015). Majority of SMEs are really struggling to survive. Those that are able to survive are still performing so badly despite their crucial contributions to the entire economy (Neneh *et al.*, 2012). As such, an effective internal control in SMEs has the potential of enabling them to succeed and reducing employee fraud. However, many small businesses comprise of only the owners of business with possibly one or two executives and some few employees who focus on the business performance and not accounting and undervalue the importance of strong internal controls (Long, 2009). In Kenya, Kamau (2014) examined effect of systems of internal control on performance in financial perspective of manufacturing firms and established a positive relation between internal control and performance in financial perspective, however; the study will based on large commercial firms hence its findings may not be generalized to the SME context.

In Africa, Oseifuah and Gyekye (2013) investigated internal controls effectiveness in South African SMEs and revealed internal control practices among SMEs in South Africa was very low, with only a few of them having adequate internal controls systems in place. Dineshkumar and Kogulacumar (2013) also studied an extent to which systems of internal control influence a firm's performance and revealed a strong relation between systems of internal control and firm's performance of Sri Lanka Telecom limited but the study did not focus on effect on internal control practices on SMEs performance. All these previous studies have some limitations like: Kamau focused on internal control practices and performance in financial perspective of SMEs in Nairobi County. Thus, the findings of the study are based on SMEs and the findings may not be applicable to larger organization with well-established organization which has well instituted internal control practices.

Most of the reviewed empirical studies indicate that internal controls are vital to any business organization. We thefore makes some remarks that many enterprises in Cameroon are familed owned. Consequently they do not care about the legal aspect of internal control. However, despite the fact that internal control is a vital factor affecting a firm regardless of its size, there is little evidence on the impact of internal control on performance of SMEs since most of studies on internal controls globally and in Cameroon focus more on large firms than SMEs. It is against this literature that this study intends to examine the impact of internal control on the performance of SMEs in Cameroon. In order to carry out this study, the following research questions were formulated to guide the study: what is the impact of internal control on the performance of SMEs?

In view of these problems, this research work examined the impact of internal control on the performance of SMEs. This study has a basic hypothesis and it was divided into three hypotheses that will include the impact of each components of internal control system on performance. There is no relationship between internal control system and performance of SMEs;

II. LITERATURE REVIEW

2.1. Theoretical Review

Various theories have been formulated on internal controls and financial performance. They include Agency theory; contingency theory and Lending credibility theory. These are discussed below.

2.2.1 Agency Theory

Agency theory is concerned with resolving problems that can exist in agency relationships; that is, between principals and agents of the principals (Meckling and Jensen, 1976). A reputable auditor is therefore appointed not only in the interest of third parties, but also in the interest of management. The two problems that agency theory addresses are: the problems that arise when the desires or goals of the principal and agent are in conflict, and the principal is unable to verify what the agent is actually doing and the problems that arise when the principal and agent have different attitudes towards risk. Because of different risk tolerances, the principal and agent may each be inclined to take different actions (Meckling and Jensen, 1976).

Agency theory contends that internal auditing, in common with other intervention mechanisms like financial reporting and external audit, helps to maintain cost-efficient contracting between owners and managers (Adams, 1994: Davidson, Goodwin-Stewart and Kent, 2015). Agency theory may not only help to explain the existence of internal audit in organizations but can also help explain some of the characteristics of the internal audit department, for example, its size, and the scope of its activities, such as financial versus operational auditing. Agency theory can be employed to test empirically whether cross-sectional variations between internal auditing practices reflect the different contracting relationships emanating from differences in organizational form (Meckling and Jensen, 1976).

Further the theory recognizes that any incomplete information about the relationship, interests or work performance of the agent described could be adverse and a moral hazard. Moral hazard and adverse selection impact on the output of the agent in two ways; not possessing the requisite knowledge about what should be done and not doing exactly what the agent is appointed to do. The agency theory therefore works on the assumption that principals and agents act rationally and use contracting to maximize their wealth (Jensen and Meckling, 1976). This theory is applicable to this study simply because internal control is one of many mechanisms used in business to address the agency problem by reducing agency costs that affects the overall performance of the relationship as well as the benefits of the principal (Payne, 2003; Abdel Khalik, 1993). Internal control enhances the provision of additional information to the principal (shareholder) about the behaviour of the agent (management) reduces information asymmetry and lowers investor risk.

2.2.2. Stakeholders Theory

The traditional definition of a stakeholder is "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman 1984). The general idea of the Stakeholder concept is a redefinition of the organization. In general the concept is about what the organization should be and how it should be conceptualized. Friedman (2006) states that the organization itself should be thought of as grouping of stakeholders and the purpose of the organization should be to manage their interests, needs and viewpoints. This stakeholder management is thought to be fulfilled by the managers of a firm. The managers should on the one hand manage the corporation for the benefit of its stakeholders in order to ensure their rights and the participation in decision making.

A stakeholder approach is very much concerned about active management of the business environment, relationships and the promotion of shared interests in order to develop business strategies (Friedman & Miles, 2001). Stakeholder interests could encompass a broad range of issues, such as labor conditions, environmental issues or social responsibility, some of which might be contrary to a firm's interests (Friedman&

Miles, 2006). This touches on Frooman's (1999) suggestion that stakeholder management could be seen as managing potential conflict stemming from diverging interests. In a related debate on corporate responsibility and citizenship, Waddock (2001) argues that becoming a good corporate citizen means defining, and achieving, responsible operating practices fully integrated into the entire corporate strategy, planning, management, and decision making processes.

2.3. Performance Measures

The measure of performance is the degree of achievement of the objective achieved at the end the comparison (report) of the physical measurement to the objective.

There are two main criteria for measuring, namely: quantitative criteria and qualitative criteria.

- **Quantitative criteria :** Quantitative measurement of a company's performance is very often the key principal guiding the evaluation of the enterprise. Performance evacuation methods are built around criteria financial and especially short-term accounting such as turnover and annual profit.
- **The qualitative criteria :** The use of non-financial criteria for performance measurement is becoming increasingly more frequent. These criteria can be classified into the following types:
- **Commercial criteria**: market share which is one of the key factors of the organizational performance;
- **Marketing Criteria:** product quality and services and customer satisfaction;
- **Social criteria:** the human dimension represents a guarantee for the future performance of a company;
- **Strategic criteria**: the positioning of the product portfolio (Boston matrix Consulting Group BCG), the study of the strengths and weaknesses of the company according to Key Success Factors (FCS) also seem necessary to evaluate performance of the company.

2.4. Performance Indicators

2.4.1. Definition of a Performance Indicator

A Key Performance Indicator (KPI) is a measure or set of measures focused on a critical aspect of the overall performance of the organization.

Indicator of performance is: "information to help an actor, individual or more generally collective to lead the course of an action towards the achievement of a goal or to allow him to evaluate the result. The performance indicator is not necessarily a number; it can be a qualitative judgment, a graph.

An indicator is an elaborate management tool, gathering a series of information:

- Its reason for being an indicator (strategic objective to which it is attached);
- The designation of an actor responsible for producing it (the one that has the easiest access to information required);
- The periodicity of production and monitoring of the indicator;
- The designation of a player responsible for the performance thus represented;
- Its technical definition: calculation formula or calculation convention, a source necessary for its production;
- The mode of monitoring (real, budgeted, budgeted / real difference).

An indicator therefore makes it possible to measure the difference between the real and the objectives for determine if they are in the process of being reached.

2.4.2. Categories of Indicators

There are two categories of indicators:

- **Indicators of means:** It aims to describe the volume or the cost of the means used (hourly volume services ...) in the production process of the service. These indicators are useful essentially operational, and in order to make comparisons, their translation into monetary policy is often necessary.
- **Result indicators**: They measure the level of achievement of the qualitative and quantitative objectives, (TO, margin, degrees of customer satisfaction ...).

2.5. Determinants of Performance

2.5.1. Internal Control Practices

Internal control practices include environment control, assessment of risk, control activities, information, communication, and finally monitoring. Internal control practices enhance efficiency of operations by application of standardized procedures. Internal control practices also provide the reliability of financial reporting; assist management in making proper and good financial decisions and identification and elimination of fraudulent acts within a business entity (Uzun, 2011).

- **Entrepreneur Competencies:** Entrepreneurial competencies refer to entrepreneurs' features like knowledge, attitude, skills, abilities, expertise and behavioral tendencies required for a successful and sustainable entrepreneurship (Hans, 2014).

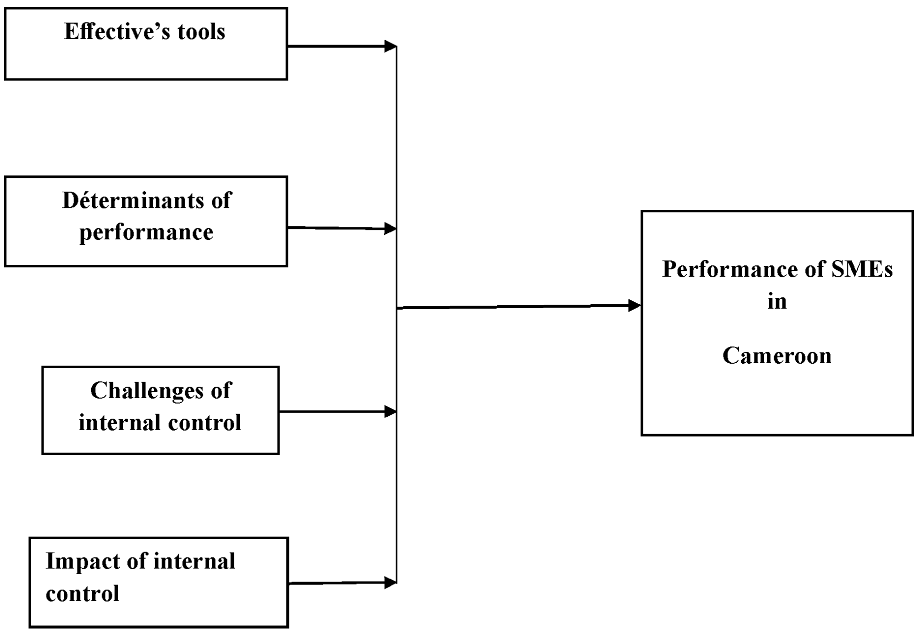
- **Firm Characteristics:** Firm characteristics are defined as firm personalities or attributes that tend to describe a firm or tell us about the firm. Three major areas, the nature of firm, firm knowledge, and firm size, represent firm characteristics (Hans, 2014). As micro or small businesses owners are the heads of their particular enterprises, having a good understanding of the firm's nature, firm size and firm knowledge is very imperative for them to manage their firms effectively (Lucky &Minai, 2011). Nature of firm could mean type of firm (e.g. marketing firm, service, advertising firm, etc.).
- **Availability of Funds:** Funds are the blood stream of any business entity since funds determines significant part of business entity's performance (Akinruwa, Awolusi&Ibojo, 2013). Lack capital, inadequate access funding and credit facilities have been poised to influence the performance of small enterprises. Thus, SMEs cannot obtain external finance to fund expansion and improve their performance (Mahmood, 2008).
- **Industry Competition:** Competitor oriented firms can identify and understand strengths and weaknesses of existing or potential rivals in a short or Striving to gain competitive advantage is the goal of competitor;
- **The financial performance:** Financial performance is used to measure the company's policies and operations in the form of monetary terms. It is general measure of a firm's over all financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. (Kinyua et al, 2015). Optimal resource utilization should maximize output in the projects and this can be by working on achieving the organizational objectives. The Organizations should use their limited financial and skilled man power resources on the appropriate way. Economic planning is assumed to help modify the restraining influence of limited resources by recognizing the existence of particular constraint and by choosing and coordinating investment projects to channel the scarce resources into their most productive outlets (Mary et al, 2015).

2.5.2. Internal Control and Organizational Performance

According to Rezaee, SMEs have a significant role in the world's economies status. With the increase in the number of corporation, internal control and governance become essential in aligning the interests of the subsidiaries may decide to maximize their interests undermining the long term performance of corporation. At the same time the parents companies may also take decisions that reduce the shareholders' value hence the need for monitoring and control at both levels. Both external and internal corporate governance mechanisms have involved with time to bond control and monitor the management. These governance mechanisms include managerial labour markets. The parent-subsidiary governance structure is governed by factors in the host or home country. The factors include legal, cultural, regulatory and political systems. Other important factors include strategies of the company, the size and the in which the subsidiary is operating.

2.5.3. The Conceptual Framework

The conceptual framework illustrates the dependent and independent variables. The dependent variable in this study is performance of SMEs in Dschang town (Cameroon). The independent variables include tools, determinants, and challenges.



2.6. Empirical Literature Review

Morteza, Parviz and Shima (2015) assessed the existence of the relation between internal control system and performance in financial perspective of Telecommunication Company of Golestan province in Iran. The study revealed a significant and positive relation between internal control system and performance in financial perspective of the Telecommunication Company of Golestan province. Thus, the study concluded that existence of system of internal control influence financial performance positively and an internal control system seems to be necessary for effective performance. Haat (2012) assessed the relation between internal controls on SME performance. A significant relation between implementation of internal control and SMEs performance in financial perspective. In addition, the study revealed that most of the SMEs in Malaysia were ready to implement internal controls but the concept was still in primitive stages and that most SMEs lack of awareness on the advantages of internal control to their businesses. Shamsuddin and Johari (2014) explored effect of internal auditing towards systems of internal control effectiveness in higher learning institutions in Selangor. Systems of internal control were looked from the perspectives of environment control, assessment of risk, control activities, communication and information and monitoring. The study was conducted by reviewing previous studies as research designs. The study concluded that, internal audit may influence internal control system effectiveness of higher learning institutions and it needs to be proven empirically by fieldwork study.

Mukopi and Iravo (2015) examined the effect of inventory management on performance of the procurement function of sugar manufacturing companies in the western sugar belt. Descriptive research design, specifically a survey study was employed in carrying out the research. The target population of the study consisted of a sample of procurement personnel of Mumias Sugar Company, West Kenya Sugar Company, Nzoia Sugar Company and Butali Sugar Mills which was 30 procurement personnel out of the total target population that was 100 procurement personnel. The research instrument was structured questionnaires that were self-administered to the respondents. Data was analyzed using SPSS and presented in tables and charts. The ANOVA result for all variables indicated that there is a strong relationship between the four variables; lean inventory systems, strategic supplier partnerships, information technology, legal policies and the effect of inventory management on performance of the procurement function of sugar manufacturing companies. Al Mdallal (2007): this study aimed at clarifying the role of internal auditing function in controlling the financial and managerial performance at the Palestinian public Corporation.

To achieve these objectives a questionnaire has been designed depending on theoretical and previous studies. The questionnaire distributed to public Listed Companies in Palestine Securities Exchange (PSE).

III. RESEARCH METHODOLOGY

3.1. Population of Study

Population refers to a set of people or items with similar characteristics which a researcher intends to study and to draw statistical inferences or conclusions (Gall *et al.*, 2006. Population of this study will comprise of all the small and medium enterprises in Dschang town, which have less than 30 employees and a turnover of less than 50 million fcfa.

3.2. Sample Procedure

The questionnaires were issued to the respondents through informal self-introduction. The questionnaires were sending to the respondents under a questionnaire forwarding letter. Follow ups was made and the fully completed questionnaires will be picked from the respondents later by use of a research assistant. Another way was to give the questionnaire and came after 10 or 15 days for collection. For the success of this study, the primary source of data was used. This enables us to obtain first-hand information and to examine appropriately the impact of stakeholders and performance of SMEs in Cameroon.

3.3. Validity and Reliability of the instrument

Validity of the research instruments will be determined using expert opinions and other professionals who are conversant with the study topic where their opinions will be evaluated and incorporated where possible.

Table 1 : Reliability Statistics

Cronbach's Alpha	Part 1	Value	.840
		N of Items	19[a]
	Part 2	Value	.641
		N of Items	18[b]
	Total N of Items		37
Correlation Between Forms			.678
Spearman-Brown Coefficient	Equal Length		.808
	Unequal Length		.808
Guttman Split-Half Coefficient			.768
a. The items are: Q6, Q7, Q8, Q9, Q10, Q11, Q12, Q13, Q14, Q15, Q16, Q17, Q18, Q19, Q20, Q21, Q22, Q23, Q24.			
b. The items are: Q24, Q25, Q26, Q27, Q28, Q29, Q30, Q31, Q32, Q33, Q34, Q35, Q36, Q37, Q38, Q39, Q40, Q41, Q42.			

Source: author

Reliability measures the consistency by which an instrument measures what it was intended to measure. To do this, the researcher employed a split-half strategy to examine consistency of the instrument. A pilot study involving 10 respondents was carried out to ascertain the internal consistency of the instrument. After administering the test it was slip into two equivalent halves (old and even number items). Then, using the slip-half formula, a reliability coefficient of 0.768 was obtained implying that there was a strong internal consistency of the instrument. In this respect, the supervisor approved the use of the instrument for this study.

3.4. Method of Data Analysis

A spread sheet was established to record all data collected in the aggregate form to protect anonymity. The first set of data was descriptive in nature while the second part used inferential statistics to verify the hypotheses. The research questions were answered by verifying the hypotheses as follows: There is no relationship between internal control system and performance of SMEs. Internal control system (independent variable), Performance of SMEs (dependent variable), Method of data analysis: multiple regression known as explained variation that will help to explain by how much change in dependent variable is explained by variation in independent variables. This will enables us to either reject or accept the hypothesis.

3.5. Research Model

$$\hat{Y}_1 = \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_0$$

Where β_1, β_2, β_3 and **β_4** are slope weights of the three independent variables **X_1, X_2, X_3 and X_4** with: X_1 = Internal Tools, X_2 = Determinant of Performance, X_3= Challenges of internal Control, X_4= Controls Impact of internal Control and **β_0** is additive constant.

The assumption in this multiple regression equation is that the predicted dependent variable ($\hat{Y}$) is formed that is a linear combination of the multiple independent variables X_1, X_2, X_3 and X_4. The values for B_0 through B_3 are calculated so that the actual dependent variable scores (Y) and the predicted dependent variable scores ($\hat{Y}$) are as similar as possible for the sample data.

3.6. Operational Definition of Variables

Table 2: Operational Definition of Variables

Specifics Objectives	*Independents Variables*	*Dependents Variables*
-To study the tools of internal control of SMEs;	Internal Tools	Performance of SMEs
- To evaluate the determinants of performance	Determinant of Performance	
- To measure the impact of internal control on the performance of SMEs.	Impact of internal Control	
- To give the challenges of internal control of SMEs	Challenges of internal Control	

Source: author

IV. RESULTS AND DISCUSSION

The purpose of this research is to investigate the impact of internal control on the performance of SMEs. The following research questions were examined in the study: What are the effective tools of internal control of SMEs? What are the determinants of performance of SMEs? What is the impact of internal control on the performance of SMEs? What are the challenges of internal control of SMEs?

4.1. Research Findings and Verification of Hypotheses

A multiple Regression analysis was conducted to evaluate how well the factors of internal control predicted Performance of SMEs. The internal control factors measures were the tools of internal control of SMEs (Internal Tools), determinants of performance (Determinant of Performance), the impact of internal control on the performance of SMEs (Impact of internal Control), the challenges of internal control of SMEs (Challenges of internal Control), while the criterion variable was the Performance of SMEs (Performance of SMEs). The results of the multiple regression analysis are shown in the output tables below (Model Summary, ANOVA, and Coefficients).

Table 3: Descriptive Statistics

	Mean	*Std. Deviation*	*N*
Performance of SMEs	2.91	.853	35
Internal_Tools	2.662857	.5093743	35
Determinant_of Performance	2.840000	.4747755	35
Challenges_of Control	2.847619	.5213912	35
Impact_of Control	3.09	.445	35

Source: author

In Table 4 we present indices to indicate the relative strength of the individual internal control factors predictors. All the bivariate correlations between the predicting factors and the performance of SMEs were positive, as expected, and three of the four indices were statistically significant ($p< .01$). 0nly the partial correlation between the Impact of internal Control and the Performance of SMEs index was non-significant ($p = 0.29$). On the bases of these correlational analyses, it is tempting to conclude that three internal control factors, that is, the tools of internal control of SMEs (Internal Tools), determinants of performance (Determinant of Performance), and the challenges of internal control of SMEs (Challenges of internal Control), are useful predictors of performance of the SMEs but not the impact of internal control on the performance of SMEs (Impact of internal Control).

Table 4: Correlations

		Performance of_SMEs	Internal_ Tools	Determinant of Performance	Challenges of Control	Impact Control
Pearson Correlation	Performance of SMEs	1.000	.473	.517	.543	.097
	Internal tools	.473	1.000	.816	.643	.040
	Determinant of Performance	.517	.816	1.000	.538	.136
	Challenges Control	.543	.643	.538	1.000	.058
	Impact of_Control	.097	.040	.136	.058	1.000
Sig. (1-tailed)	Performance of_SMEs	.	.002	.001	.000	.289
	Internal_Tools	.002	.	.000	.000	.409
	Determinant_of Performance	.001	.000	.	.000	.217
	Challenges_of Control	.000	.000	.000	.	.371
	Impact_Control	.289	.409	.217	.371	.
N	Performance_ofSMEs	35	35	35	35	35
	Internal_Tools	35	35	35	35	35
	Determinant of _Performance	35	35	35	35	35
	Challenges of Control	35	35	35	35	35
	Impact of Control	35	35	35	35	35

Source: author

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.607[a]	.369	.285	.721	.369	4.383	4	30	.007
Predictors: (Constant), Impact of Control, Internal tools, Challenges of internal control, Determinant of performance									

Source: author

Table 6: ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	9.126	4	2.282	4.383	.007[b]
	Residual	15.617	30	.521		
	Total	24.743	34			
a. Dependent Variable: Performance of SMEs						
b. Predictors: (Constant), Impact of Control, Internal Tools, Challenges of Control, Determinant of performance						

Source: author

The results in Tables 5 and 6 indicate that the regression equation with all four predictors was significantly related to the performance of the SMEs, $R^2 = 0.36$, adjusted $R^2 = 0.29$, $F(4, 30) = 4.38$, $p = .007$. We conclude that a linear combination of the four internal control variables accounted for a significant proportion of the performance of the SMEs variance, with R^2 change = 0.29, $F(4,30,) = 4.38$, $p = 0.007$

Table 7: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B		Correlations		
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part
1	(Constant)	-.603	1.125		-.536	.596	-2.899	1.694			
	Internal_Tools	-.139	.467	-.083	-.298	.768	-1.092	.814	.473	-.054	-.043
	Determinant_of Performance	.660	.459	.367	1.439	.160	-.277	1.597	.517	.254	.209
	Challenges of _Control	.649	.310	.397	2.094	.045	.016	1.283	.543	.357	.304
	Impact_of Control	.053	.283	.028	.187	.853	-.525	.631	.097	.034	.027
a. Dependent Variable: Performance of SMEs											

Source: author

To establish the regression equation, we use the standardized coefficients so that the weights would be more interpretable if the independent and dependent variables are standardized to have a mean of 0 and a standard deviation of 1. The coefficients (Bs), as labeled in Table 7, are the weights associated with the regression equation. According to these B weights, the regression equation is as follows:

Predicted Performance = -0.08Internal-tools + 0.38Determinant-Performance+ 0.40 Challenges of internal Control + 0.03 Impact-control

4.3. Summary

This study examined impact of internal control on performance of SMEs in Dschang (Cameroon). The study explored the agency theory and the stakeholder's theory as the main theories for the research. The dependent variable for this study was performance of SMEs while the independent variables included internal tools, determinants of performance, challenges of internal control and finally the impact of internal. This study used a sample of 50 SMEs in Dschang (Foreke to Foto) and out of the questionnaires issued only 35 were responded to thus a response rate of 70%. The descriptive results established that there was general agreement among the respondents that internal tools, determinants of performance, challenges of internal control and impact of internal control influence have an impact on the operation of SMEs.

The correlation results revealed positive significant relation between internal tools, determinants of performance, challenges of internal control and insignificant positive correlation between the impacts of internal control on the performance of SMEs in Dschang. The model summary established that independent variables explained 36.9% of the variation in the dependent variable. The results also established that the regression model was significant to explain the relationship between internal control and performance of SMEs in Dschang (Cameroon). The results also revealed a direct relationship between internal tools, determinant of performance, challenges of internal control and impact of internal control and performance of SMEs in Dschang (Cameroon).

4.4. Discussion of the results/ Findings

The results found a positive significant relationship between internal tools, determinants of performance, challenges of internal control and the performance of SMEs in Dschang (Cameroon). This indicates that there is a direct relationship between internal tools, determinant of performance, challenges of internal control and performance of SMEs in Dschang (Cameroon). The results also find a positive but non-significant relation between impact of internal control and performance of SMEs in Dschang (Cameroon).

From this, we can said there is existence of integrity and ethical value system in the organization and companies practices internal control to make proper and good financial statement concerning the determinants of performance and internal control environment has an impact on the performance of the organization concerning the impact of internal control. This results study is the same as the research of Mohammed Yousef on The impact of internal control requirements on profitability of Palestinian shareholding companies Palestinian Banking Sector.

V. CONCLUSION AND RECOMMENDATIONS

5.1. Conclusion

The findings of the study found a position significant relationship between internal tools, determinants of performance and challenges of internal control and performance of SMEs in Dschang (Cameroon). The study findings also revealed a positive but insignificant relationship between impact of internal control and the performance of SMEs in Dschang (Cameroon). This study concludes that there is a direct relationship between internal controls, determinants of performance and challenges of internal control and the performance of SMEs in Dschang (Cameroon) but we cannot say the same about the impact of internal control between the performances of SMEs in Dschang (Cameroon).

5.2. Suggestion for Further Research

This study outcome creates future areas for academic and business research. It there for suggests an analysis of factors that influence adoption of internal control practices by SMEs in Dschang (Cameroon). The study also suggests an examination of the effectiveness of systems of internal control adopted by SMEs in Dschang (Cameroon).

The study also suggests study should be carry out using secondary data where necessary

5.3. Limitations of the Study

Though the study was successful to a greater extent, a number of limitations were experienced which could impact negatively on the quality of the results obtained. Some enterprises declined to respond to research questions due to their policies which do not permit them to participate in any form of business research. This constituted about 15% of the target population. In addition, some of the respondents did not answer some questions probably because they considered them confidential. Due to time limitation, the respondents were given only one week to provide responses. In most cases, the questionnaires were filled in a hurry and in presence of the researcher which could possibly affect the quality of the responses. In addition, there was no enough time to schedule for interviews in order to seek further clarifications on responses that were not clear enough. The study area of this research was limited in the city of Dschang (Cameroon). Another limit we can cite the small size of the sample.

5.4. Implications

The contributions of this research are: theoretical and managerial.

- **Theoretical implications:** This study would have allowed us to deepen our knowledge in the field of internal control through the characteristics thus contributing to the improvement of the performance within the Cameroonian SMEs in order to give more credibility and reliability to these enterprises, to reduce asymmetry of information between managers and shareholders.
- **Management Implications**: This contribution goes to the heads of companies. Indeed, the results of this research have shown that certain elements of internal control contribute to the performance in SMEs; these elements are nothing other than the tools of internal control and the determinants of performance. The consideration of these different factors by business leaders would contribute effectively to achieving the good turnover for a relatively short time.
- **Recommendation of the Study:** The study concluded that determinants of performance, challenges of internal control and impact of internal control had a direct relation with performance of SMEs in Dschang (Cameroon).

  The study recommend therefore:

  ❖ To put the right person at the right place (take into consideration the level of study and the performance of those in charge of internal control);

  ❖ SMEs should ensure they establish an effective system of internal control to perform enterprises;

- ❖ The recruitment of the employees should not be based on relationship but on the competence;
- ❖ The enterprises should call out for external control to know the real situation of the enterprise.

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