



THE ROLE OF TRAINING IN OPTIMIZING INTERNAL CONTROLS FOR FINANCIAL SUSTAINABILITY

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ABSTRACT

The financial sustainability of non-rotating informal financial groups (IFGs) remains a major concern for development practitioners and policymakers, particularly in emerging economies where such groups play a critical role in poverty reduction, financial inclusion, and community development. Although internal controls are widely recognized as crucial for accountability and safeguarding of financial resources, their effectiveness may depend on the capability to understand and implement them. This study investigates how financial literacy training influences the effectiveness of internal controls and, consequently the financial sustainability of informal financial groups. The research, anchored in the Resource-Based View (RBV), conceptualizes financial training as a strategic capability for enhancing competency in financial management and compliance with internal controls. Drawing on empirical data from 60 IFGs in Kirinyaga County, the study adopts an explanatory embedded mixed-methods design to test the interaction effect. Primary data collected via questionnaires were analyzed for descriptive and inferential statistics using Stata. The study employs interaction-based logistic regression within a generalized linear model framework to predict potential interaction outcomes. Results revealed that interactions between financial literacy training and internal controls had a positive and significant influence on financial sustainability. The findings emphasize the critical role of training in complementing internal controls to enhance the capacity to understand, implement, and monitor. The study therefore recommends a sound risk management approach that integrates internal controls and financial literacy training, as their alignment rather than isolated implementation is critical to strengthening resilience and achieving long-term financial sustainability.

KEYWORDS: Financial Literacy Training, Internal Controls, Financial Sustainability

BACKGROUND OF THE STUDY

Non-rotating informal financial groups (IFGs) have been widely recognized as transformative grassroots tools for promoting financial inclusion, poverty alleviation, community resilience, and social empowerment, especially in developing economies (Watkins, 2018). In Kenya, their significance is evident in the growth of membership from 7.8 million in 2021 to 8.7 million in 2024 (Central Bank of Kenya, Kenya National Bureau of Statistics & Financial Sector Deepening Kenya, 2024). Despite their important contribution to economic growth and development, many groups experience persistent challenges achieving financial sustainability, which manifest as financial mismanagement, inadequate savings, weak liquidity, poor loan repayment, and subsequent group failure. Financial sustainability, which denotes the ability to generate adequate financial resources to fulfil financial obligations, withstand shocks, and sustain operations in the absence of external support (Owino, Irungu & Muchiri, 2025), is therefore crucial for the growth and continuity of IFGs.

Among the governance strategies linked to sustainable financial performance, effective internal controls play a fundamental role in reducing fraud, promoting accountability, enhancing efficiency, and safeguarding assets (Ngari, 2017). However, their effectiveness depends not only on their existence but on the ability of group members to understand, implement, and monitor them (Mzimba, Smidt & Motubatse, 2024). Financial literacy offers this critical organizational capability, yet financial illiteracy is not unusual in developing economies. Mendis and Surangani (2024) associate lack of financial knowledge with poor financial decisions. This study investigates the synergistic effect of financial literacy training and internal controls to determine how they interact to improve the financial sustainability of informal financial groups. The study contributes to existing literature on the sustainability of informal finance by providing evidence of how organizational capabilities interact with governance mechanisms to enhance financial performance. It provides practical implications for strengthening informal financial groups using integrated interventions that combine governance mechanisms with capacity building.

STATEMENT OF THE PROBLEM

Informal financial groups (IFGs) play a fundamental role in enhancing financial inclusion, especially among low-income households underserved by mainstream financial institutions. Notwithstanding their significance, many groups are persistently faced with financial sustainability challenges manifesting as inadequate accountability mechanisms, loan defaults, poor record-keeping, fraud, limited segregation of duties, and governance weaknesses that lead to premature dissolution. Indeed, IFGs exhibit high rates of



premature disintegration, averaging 25% in Africa and 15% in Latin America (Malkamäki, 2015; Musyoki & Kadubo, 2011), highlighting the magnitude of the sustainability problem. Such challenges are often associated with insufficient financial literacy among group members and leaders, leading to poor financial control and planning. Although financial literacy training is widely recognized as a way of improving financial management practices, financial knowledge alone may not reliably translate into financial sustainability. Similarly, weak internal controls continue to expose groups to operational inefficiencies and financial leakages, undermining their long-term viability. While existing literature has mainly evaluated the independent effects of financial literacy training on financial sustainability, little attention has been devoted to the synergistic effect with internal controls. This gap prevents the formulation of integrated interventions and policies necessary to strengthen the sustainability and resilience of IFGs. This study therefore sought to investigate the synergistic effects of financial literacy training and internal controls on the financial sustainability of informal financial groups in Kirinyaga County, Kenya.

OBJECTIVE OF THE STUDY

The objective of the study was to investigate the synergistic effects of financial literacy training and internal controls on the financial sustainability of informal financial groups in Kirinyaga County, Kenya.

THEORETICAL FRAMEWORK

Grounded in the Resource-Based View (Wernerfelt, 1984), the study conceptualizes financial literacy training as a strategic institutional capability for enhancing members' competencies in governance, compliance with internal controls, and financial management. Sustained competitive advantage and long-term performance arise from the effective acquisition and deployment of resources that are valuable, rare, difficult to imitate, and well organized (Pereira & Pereira, 2023). In non-rotating informal financial groups (IFGs), such resources extend beyond physical assets to include intangible capabilities such as trust, financial knowledge, and governance. These intangible assets are considered critical for risk management in contexts marked by resource scarcity, weak regulation, and uncertainty (Miller, 2019). Accordingly, financial sustainability depends on how effectively such inimitable internal resources are mobilized to help mitigate risks (Alexy et al., 2018). Financial literacy training constitutes strategic investment in human capital and a core intangible resource within the resource-based theory. In non-rotating informal financial groups, members' financial knowledge directly shapes rule compliance, risk awareness and decision quality (Krupa, 2017). Training in savings, basic accounting, loan management and budgeting enhances both collective and individual financial management capacities. Because this human capital is embedded in localized contexts and shared experiences, it is difficult to replicate (Ariwibowo, Saputro & Haryanto, 2021). Enhanced financial literacy therefore enables groups to improve compliance with financial policies, thus strengthening oversight.

Empirical Review

The impact of training on IFG members is an interesting debate in the light of both minimalist and microfinance-plus approaches. Proponents of microfinance-plus advocate for the provision of credit, along with other crucial inputs such as literacy training (Garcia & Lensink, 2019). On the other hand, minimalists argue that for microfinance to become sustainable and reach a feasible scale, they should only engage in financial services. Their argument is based on the fact that membership on its own trains members in several ways. First, members adopt a disciplinary principle by working, saving, and repaying loans. Secondly, members have a platform to discuss and learn from one another during their regular meetings. Thirdly, members can learn through doing without the need for training by virtually engaging in group projects.

Mwangi and Kimani (2015) attributed premature failure of informal financial groups to financial irregularities arising from inadequate bookkeeping and financial management skills. They recommended capacity-building interventions in financial management, basic record-keeping, resource mobilization, empowerment, and leadership. However, while the study identified literacy and governance challenges, it did not systematically assess their effects on group sustainability, an empirical gap that the current study addresses. Similarly, Mwaniki (2014) demonstrated that low literacy levels among women self-help groups undermined effective record oversight, creating opportunities for elites to falsify accounts. The resulting financial mismanagement and fraud eroded trust, triggered conflict, and ultimately led to group collapse. This study, however, overlooked broader contextual and sustainability-related determinants. The current study adopts a holistic, context-based framework to comprehensively evaluate the effectiveness of financial literacy training alongside other contextual factors such as internal controls on financial sustainability.

According to Mwangi (2015), members of informal financial groups benefited from regular financial training and capacity building in bookkeeping, basic financial management, and leadership. The study established that participants consistently recommended expanded training, particularly through seminars and workshops, focusing on simple bookkeeping, financial management, resource mobilization, empowerment, and leadership. Poor financial and group performance was attributed to leaders' limited management skills (Suriyankietkaew & Avery, 2016), with training viewed as essential for improving leadership and record-keeping. The study also revealed gaps in members' awareness of group operations and benefits. However, it did not establish a link



between financial training and financial sustainability. Addressing this gap, the current study examines the relationship between financial literacy training and financial sustainability.

The Conceptual Framework

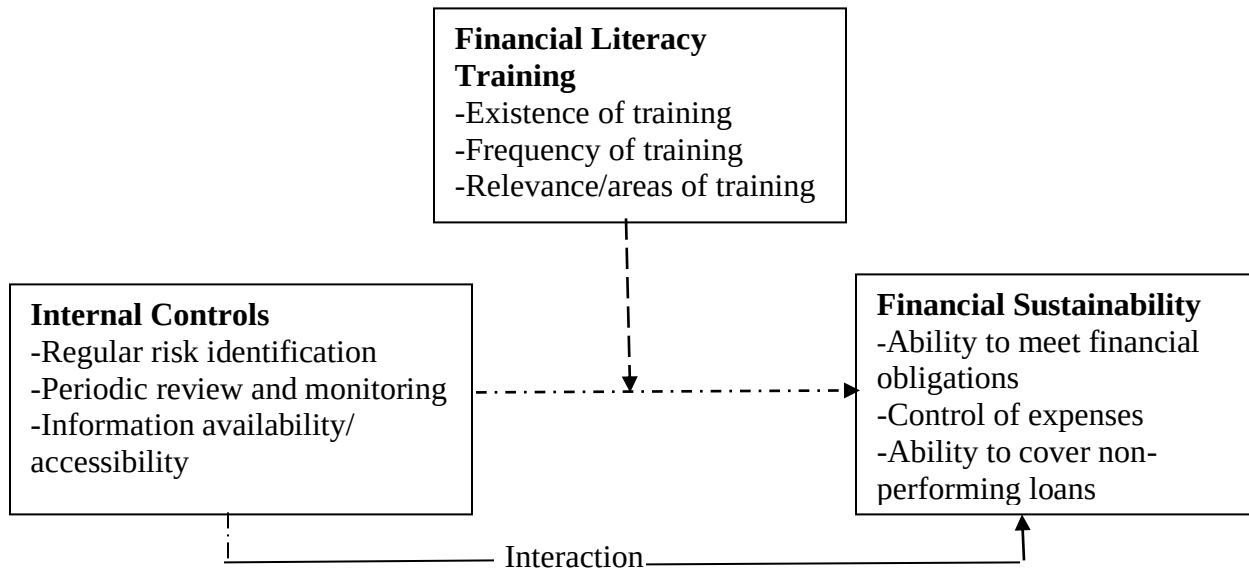


Figure 1: The Conceptual Framework

DATA AND METHODOLOGY

This study adopted an explanatory embedded mixed-methods design and targeted 60 non-rotating informal financial groups comprising 806 members and that had been operational for more than three years. The study employed a combination of stratified, census, purposive and simple random sampling techniques to determine the sample size. A census of all 180 group officials was conducted to enhance statistical confidence and minimizes sampling bias (Gołata, 2016). In determining the size of the sample for

ordinary membership, mathematical sampling approach by Miller and Brewer (2003) was used; $n = \frac{N}{1 + N(\alpha)^2}$ Where; n = sample

size, N = the sample frame, α = margin of error. This study assumes 95% confidence level. Respondents from ordinary membership were selected through simple random sampling, a technique that ensures each member of the population has an equal probability of inclusion. Stratified sampling based on membership category ensured adequate representation of both groups. A combination of both the executive and the ordinary member categories yielded a total sample size of 424 respondents. This study relied on primary data collected through questionnaires and key informant interviews (Ajayi, 2017), which provided direct, unfiltered and highly credible evidence. The questionnaires were both closed and open-ended based on likert scale, and covered all the variables under study. To ensure confidentiality, questionnaires were administered individually and respondents were given sufficient time to complete the self-administered instrument (Karunarathna, Gunasena, Hapuarachchi & Gunathilake, 2024). A mixed-methods design combining surveys and interviews enhanced validity and credibility particularly when both officials and members were sampled (Ahmed, Pereira & Jane, 2024). Integration of quantitative and qualitative data occurred at the interpretation stage where qualitative findings were used to clarify, support and contextualize quantitative results (Sharma, Bidari, Bidari, Neupane, & Sapkota, 2023). Data were analyzed for descriptive and inferential statistics using STATA version 13. Qualitative data were analyzed thematically to identify recurring patterns and themes (Bingham, 2023). Results were then presented using frequencies, percentages, tables and charts. Inferential analysis employed correlation, regression and hypothesis testing, with regression analysis used to determine the strength and predictive power of independent variables on the dependent variable. In the prediction of dependent variable from various independent variables, interaction-based logistic regression within a generalized linear model framework was deployed.



The analysis for main effects would normally take the functional form 1 which when linearized yields equation 1b

$$Y = \prod_{i=1}^n X_i \dots\dots\dots (1)$$

$\ln Y = a_1 \ln X_1 + a_2 \ln X_2$ represented as;

$$Y = \alpha + a_1 X_1 + a_2 X_2 + \epsilon \dots\dots\dots 1(b)$$

Where Y= Financial sustainability of non-rotating informal financial groups

α = Constant Term

$a_i, i=1,2$ = Coefficients

X_1 = Internal Controls

X_2 = Financial Literacy Training

ϵ = Error Term accounting for all other variables affecting financial sustainability not captured in the model.

To establish the effects of moderation, this study was guided by the main effect plus interaction model in the form;

$$y = a_0 + a_i \sum_{i=1}^n x_i + \frac{1}{2} b_i \sum_{i=1}^n \sum_{j=1}^m x_i x_j \dots\dots\dots \text{Eqn (2)}$$

Where

α = Constant Term

$X_i X_j$ represents interaction of financial literacy training and internal controls

ϵ = Error Term accounting for all other variables

FINDINGS AND DISCUSSION

A response rate of 76.2% was attained (323 of the 424 sampled respondents), which was deemed sufficient for robust statistical analysis and provided a reliable basis for presenting and interpreting the study's findings.

Level of education

From the findings in Figure 5, 54.5% of the respondents had secondary education, 24.8% had primary education, 13.3% had diploma while 7.4% had a degree.

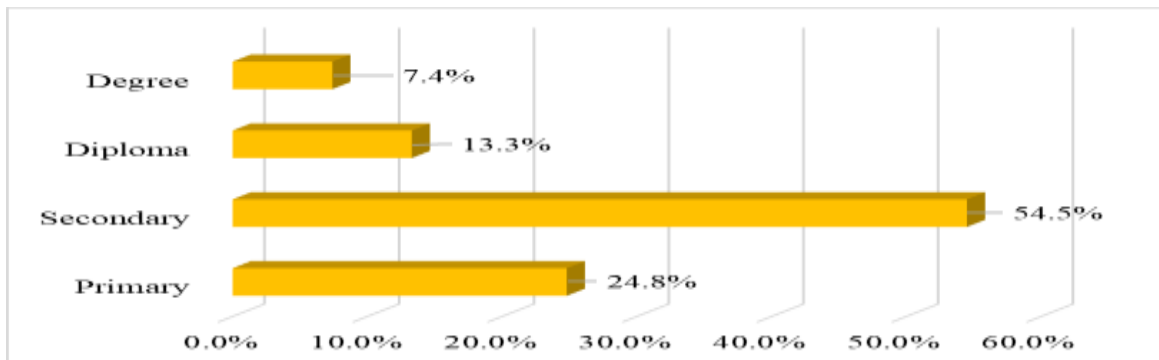


Figure 2: Level of education

The findings are consistent with the findings that 78% of the population in Kirinyaga County has attained the basic level education and above (County Integrated Development Plan, 2018-2022). The respondent's level of education was significant as it could impact on extent of understanding of the study variables. Levels of literacy dictate the respondent's level of participation and contribution to the research.



Areas of training



Figure 3: Areas of Training

Findings in figure 3 revealed that all respondents reported having received training in record keeping and financial management (100%) while a substantial majority had been trained in entrepreneurship (96.9%). In contrast, considerably fewer respondents indicated training in risk management (22.3%), and only a marginal proportion reported training in constitution formulation (3.1%). As reported by one key informant, comprehensive training in record keeping, financial management and entrepreneurship provided a basis for capital accumulation by improving income generation, reinvestment capacity and financial control (Key informant interviews, 2021). However, the limited exposure to risk management and governance-related training limits groups' ability to anticipate and mitigate financial shocks, potentially eroding accumulated capital (Krupa, 2017). While the current training profile supports short to medium-term financial growth, addressing risk management and institutional capacity is crucial to ensure group resilience.

Frequency of trainings

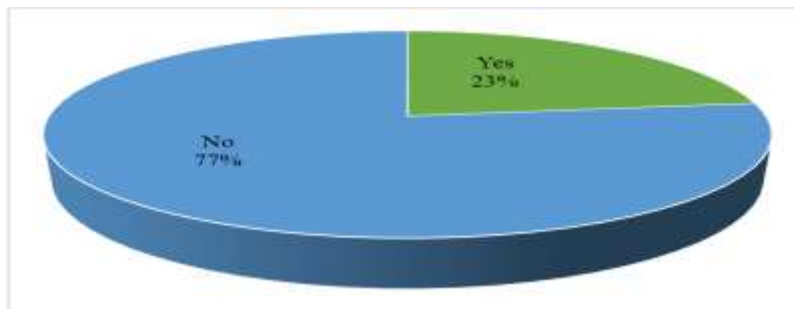


Figure 4: Frequency of Trainings

From the findings in figure 4, majority of respondents (77%) reported that group trainings are conducted on an irregular basis, whereas only 23% indicated that trainings occur regularly. This distribution highlights a predominant lack of consistency in the implementation of training programs. According to one key informant, irregular training limited members' opportunity to consistently improve their financial management skills which is critical for effective capital accumulation (Key informant interviews, 2021). Consistently conducted effective training may become a powerful mechanism that links management of financial risks to sustainability through deepened and retained skills (Kirsten, 2013).

Mode of Financial Transactions

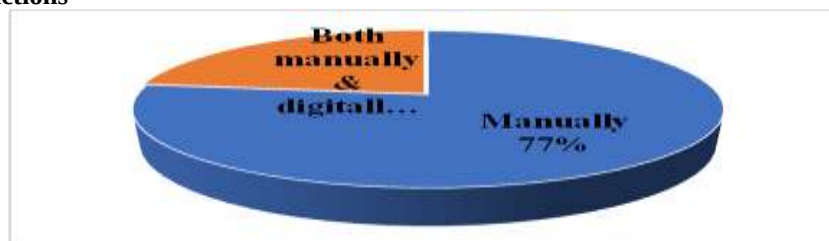


Figure 5: Mode of Transactions

Findings in figure 5 revealed a strong reliance on manual processes with 77% of respondents reporting that transactions are handled exclusively through manual methods. In contrast, 23% indicated the use of a hybrid approach that combined both manual and digital transactions. Notably, none of the respondents reported having fully digitized their financial transaction processes underscoring



the limited adoption of comprehensive digital systems. Although the security of large monetary transfers warrants attention, the greater vulnerability lies in routine cash transactions conducted by non-rotating informal financial groups in publicly known spaces (Klapper & Singer, 2014). As noted by one key informant, transitioning from cash-based practices to digital financial infrastructure would substantially enhance payment security and individuals' capacity for financial risk management (Key informant interviews, 2021).

Maintenance of Group Financial Records

The respondents also indicated that group financial records are maintained solely in hard copies at 77.1% and both in hard and soft copies at 22.9% as shown by in Table 1

Table 1: Maintenance of Group Financial Records

Form of record keeping	Frequency	Percentage
Purely hard copies	249	77.1
Both in soft & hard copies	74	22.9
Total	343	100

The findings corroborate the assertions by Elven and LeMay- Boucher (2016) that most groups maintain loads of hard-copy records of attendance, minutes, individual passbooks, loan register and cashbook. Record keeping helps provide detailed information for planning and tracking. In the absence of accurate records, it's impossible to determine financial performance of a business (Ruga, 2019). Since financial transactions require grasp of fundamental financial concepts, group effectiveness and sustainability may be realized through a training strategy that improves investment decisions. Mwangi & Kimani (2015) observe that some IFGs outsource management services where individuals outside group membership manage financial records. Outsourcing, however, means that the group incurs additional operational costs which negatively affect group income.

Authorization and approval

Table 2: Approval and authorization of funds withdrawal

	Frequency	Percentage
Defined minimum number of signatories	323	100
Levels of approval defined	323	100

The minimum number of required signatories and the corresponding levels of approval were clearly stipulated, with full (100%) compliance as per Table 2. Clear stipulation of the minimum number of signatories and defined levels of approval contributes directly to capital preservation in non-rotating informal financial groups by strengthening internal controls and reducing misuse of member savings, risk of unauthorized expenditure and fraudulent transactions (Boateng *et al.*, 2016). Such governance mechanisms promote accountability and collective oversight which safeguards pooled funds and enhances financial sustainability of these groups.

Table 3: Correlation Analysis

		Financial literacy training	Internal controls	Financial sustainability
Financial literacy training	Pearson Correlation	1.000		
	Sig. (2-tailed)			
	N	323		
Internal controls	Pearson Correlation	.1053**	1.000	
	Sig. (2-tailed)	.000		
	N	323	323	
Financial sustainability	Pearson Correlation	-.0191**	-.0311**	1.000
	Sig. (2-tailed)	.000	.000	
	N	323	323	323

Financial literacy training yielded a very weak but statistically significant negative correlation with financial sustainability of non-rotating informal financial groups at 95% confidence level ($r = -0.0191$; $p < 0.05$). This relationship could be associated with instances where trained members apply acquired skills to personal rather than group ventures hence diverting benefits away from the



group whereas training costs still burden collective resources. Additionally, members may have acquired knowledge without the capital or institutional support needed for effective implementation creating unrealistic expectations and limiting impact. As observed by one key informant, members were trained in record-keeping but capital constraints still forced reliance on manual systems thereby undermining effective financial safeguards (Key informant interviews, 2021). When training is overly theoretical, poorly aligned with group needs or delivered reactively rather than proactively, it may yield limited returns while imposing costs, which ultimately weakens financial sustainability.

Moreover, financial training may inadvertently foster overconfidence prompting suboptimal financial decisions. In some contexts, training can also disrupt established group practices or redirect time away from income-generating activities that support sustainability. However, this does not imply that training is inherently harmful but rather its effectiveness depends largely on its design, target population, timing and the availability of complementary systems that enable behavioral change. Financial literacy programs should therefore be context-specific, practical and reinforced through continuous mentorship to enhance financial sustainability outcomes. These findings are consistent with D'hondt, Merli and Roger (2022), who reported a significant negative relationship between financial literacy and performance.

Table 4. Main Effects Only Results

Model Main Effects Only	Unstandardized Coefficients		P > z
	B	Std. Error	
Constant	3.822	.3419	< .001
Internal Controls (IC)	.3432	.0475	< .001
Diversification(D)	-.0562	.1215	.644
Financial Literacy Training (FLT)	-.4085	.0719	< .001
Fiscal Management (FM)	-.5833	.0519	< .001

Financial literacy training yielded a significant inverse relationship with financial sustainability ($\beta = -.4085$; $p = 0.000 < 0.05$), showing that a one-unit increase in training resulted to 0.4085 units decline in sustainability. The negative effect was associated within frequent training that diverted scarce group resources while fostering overconfidence, excessive risk-taking and suboptimal investment decisions. Evidence from a key informant confirmed that though community development associations' officers were involved in training of group members, such trainings were not regularly offered (Key informant interviews, 2021). Respondents reported infrequent training and minimal coverage of financial risk management revealing disconnect between training content and practical application.

In view of the findings, training which is poorly aligned with operational realities may yield limited benefits, particularly when participants lack resources to implement acquired skills. Where time commitments, training fees and opportunity costs redirect limited resources away from core group activities without generating corresponding benefits, training may turn into a cost burden rather than a value-adding investment. This finding aligns with D'hondt, Merli and Roger (2022) who reported a negative association between financial literacy and performance. It also aligns with Hastings, Madrian and Skimmyhorn (2013) who observed that financial training can increase expenditure and weaken performance. However, it contrasts with Senaya (2024) who found a positive and significant effect.

Although financial literacy training is generally associated with enhanced financial sustainability, emerging evidence highlights potential unintended adverse effects (Lusardi & Mitchell, 2023). In some contexts, basic training has fostered overconfidence, prompting excessive risk-taking, including speculative investments that may destabilize savings. Trained members may also advocate for high-risk portfolios that exceed their institutions' risk tolerance. Gibson, McKenzie and Zia (2014) further argue that increased awareness of credit products can lead to over-borrowing when loan uptake is not aligned with repayment capacity. Additionally, while training in digital record-keeping tools, such as mobile applications, can reduce accounting errors, negative outcomes may arise when training is poorly aligned with practice. For example, programs may promote cashless transactions or systematic record-keeping, yet members continue to rely on cash and informal trust-based systems, limiting adoption and impact (Kaiser & Menkhoff, 2017).

Poorly designed financial literacy training can undermine group sustainability by intimidating less-literate members, increasing dropout rates and encouraging risky financial behavior (Carpena et al., 2019). The opportunity cost of training may further weaken short-term financial health by diverting time from income-generating activities (Dupas & Robinson, 2009). Consequently, such programmes may disrupt group cohesion and waste resources without improving sustainability. Nonetheless, financial literacy remains essential for informed decision-making, risk management and long-term financial stability, as its absence can lead to mismanagement and institutional failure even in otherwise strong organizations (Amanamah et al., 2025). From a theoretical



perspective, the findings align with the resource-based view that financial literacy is an intangible strategic resource which improves sustainability only when effectively developed and utilized.

Predictor	B	Std. Error	<i>p</i> > z
Model Statistics			
Log likelihood	1235.91		
AIC	-7.56		
BIC	-1779.51		
Residual df	308		
Main Effects			
Constant	3.8220	0.3419	< .001
Internal Controls (IC)	0.3432	0.0475	< .001
Diversification (D)	-0.0562	0.1215	.644
Financial Literacy Training (FLT)	-0.4085	0.0719	< .001
Fiscal Management (FM)	-0.5833	0.0519	< .001
Interaction Effects			
IC × IC	-0.0242	0.0031	< .001
IC × D	0.0145	0.0099	.147
IC × FLT	0.0001	0.0001	< .001
IC × FM	-0.0579	0.0055	< .001
D × D	-0.0256	0.0048	< .001
D × FLT	0.0991	0.0216	< .001
D × FM	-0.0557	0.0085	< .001
FLT × FLT	-0.0155	0.0154	.316
FLT × FM	0.0160	0.0113	.158
FM × FM	0.2357	0.0007	< .001

From the findings in Table 4.30, internal controls had a positive significant relationship with financial sustainability of non-rotating informal financial groups ($\beta = 0.3432$, $p = 0.000 < 0.05$). This means that a unit increase in internal controls significantly increased financial sustainability by 0.3432 units. Although the interaction between internal controls and diversification increased financial sustainability by 0.0145 units, such interaction did not yield significant effect ($\beta = 0.0145$, $p = 0.0147$). Further, an interaction between internal controls and financial literacy training had a positive significant effect on financial sustainability ($\beta = 0.001$, $p = 0.000 < 0.05$). The interaction therefore significantly increased financial sustainability by 0.001 units. The findings are in agreement with Amanamah et al., (2025) whose study established a positive mediating influence of training on the relationship between internal controls and financial performance. The findings are further supported by Sult, Wobst and Lueg (2024) whose study reveals a significant relationship between training and financial sustainability.

The observed improvement in financial sustainability was attributed to training that enhanced compliance with authorization and approval ultimately reducing non-performing loans. Training enabled beneficiaries to apply acquired skills to set up personal income-generating activities which supported loan repayment over time as noted by a key informant that skills extended beyond group use, enabling individual members to start personal businesses and generate income (Key informant interviews, 2021). Training could have increased savings thus improved loan limits. In addition, enhanced financial literacy likely improved documentation practices, reduced fraud, promoted financial accuracy, resource safeguarding and trust (Javed & Yasir, 2025). Notwithstanding these benefits, the overall effect on financial sustainability was modest probably because training was insufficiently institutionalized and irregular as reported by most respondents. Furthermore, limited emphasis on financial risk management could have hindered capacity to effectively handle financial exposures. Strengthening these interaction effects requires structured, comprehensive and continuous training programs with an explicit focus on financial risk management.

Financial literacy training had a negative significant relationship with financial sustainability ($\beta = -.4085$; $p = 0.000 < 0.05$) indicating that one unit increase in financial literacy training decreased financial sustainability by 0.4085 units. However, the interaction between financial literacy training and internal controls had a positive significant effect on financial sustainability ($\beta = 0.001$, $p = 0.000 < 0.05$). This was attributed to practical application of control practices such as segregation of duties, multiple signatories and risk identification processes which embed financial literacy through routine practice. Loan limits and effective recovery mechanisms may have operationalized prudent lending. Controls therefore helped institutionalize financial literacy consequently strengthening long-term sustainability of non-rotating IFGs.

Internal controls play a critical role in translating financial literacy training from theory into practice consequently enhancing financial sustainability of informal financial groups (Gibson et al., 2014). Whereas training equips members with skills in budgeting,



prudent financial practices, loan terms and interest rates, internal controls facilitates institutionalization of such practices through policy compliance, transparent record-keeping and enforcement of rules. Using standardized procedures and documented financial transactions, internal controls embed these norms into daily operations reinforcing trained skills. Such integration leads to financially literate, accountable and resilient groups capable of sustaining long-term growth. Swain & Varghese (2010) note that through training members are informed of the importance of good practices and group rules.

(b) Interaction effect between internal controls and financial literacy training:

The study further established that the interaction between internal controls and financial literacy training had a positive significant effect on financial sustainability of non-rotating informal financial groups (IFGs) in Kirinyaga County, Kenya ($\beta=0.0001$ $p=0.000<0.05$). The coefficient for the interaction between internal controls and financial literacy training was 0.001 revealing that for every unit increase in the interaction between internal controls and financial literacy training, financial sustainability increased by 0.001 units. Considering that P value = 0.000 which is less than significance level of 0.05, it is an indication that the interaction between internal controls and financial literacy training had positive significant effect on financial sustainability of non-rotating IFGs in Kirinyaga County, Kenya. The study therefore rejects the null hypothesis and concludes that the interaction between internal controls and financial literacy training has a statistically significant effect on financial sustainability of non-rotating informal financial groups in Kirinyaga County, Kenya.

Financial literacy training improves financial sustainability through equipping decision-makers with skills and knowledge necessary for managing risks, evaluating investment options, interpreting financial information and making cost-effective decisions that align with organizational long-term objectives (Hameed et al., 2017). From a control perspective, the efficacy of such training is considerably strengthened if embedded within a robust internal control system. Members who are financially literate are well placed to maintain proper records, comply with set controls and adhere to rules and regulations (Mwangi, 2015). This, in return, safeguards financial resources and reduces fraud while intensifying transparency and trust. Thus, internal controls constitute a structural framework to consistently apply, reinforce and monitor acquired financial skills. When financial literacy training is context-specific, relevant and supported by effective controls, it leads to accountable, resilient and informed financial behavior thus strengthening financial sustainability.

(b) Interaction effect between internal controls and financial literacy training:

The interaction between internal controls and financial literacy training yielded a positive significant effect on financial sustainability ($\beta=0.0001$, $p=0.000<0.05$). The findings show that financial sustainability is most effectively enhanced when internal controls are integrated with financial literacy training. Internal controls ensure data integrity and establish accountability, while financial literacy equips individuals with the skills to make informed decisions through monitoring expenditures, interpreting financial information and evaluating performance. This interaction facilitates improved resource allocation by allowing individuals to correctly apply controls, remain compliant and identify inefficiencies. Financial literacy therefore reinforces the effectiveness of internal controls by transforming oversight from a reactive compliance function into proactive financial management. The integration of these mechanisms promotes better stewardship of resources, informed governance and stronger financial sustainability.

The interaction effect between internal controls and financial literacy training demonstrated a significant positive relationship with financial sustainability. Hence, development partners and policymakers need to design training programs linking internal controls to record-keeping, budgeting and expenditure monitoring, and performance evaluation. Integrating financial literacy within internal controls reduces funds misuse and reinforces accountability thus transforming such controls into knowledge-driven governance mechanisms essential to strengthen financial sustainability of non-rotating IFGs.

CONCLUSIONS AND RECOMMENDATION

The adoption of good financial training significantly increased financial sustainability by 9.91%. This could be attributed to better investment decisions, budgeting and cash flow management. Training was found to enhance transparency. Majority of the study participants agreed that trainings brought transparency in record-keeping which in return reduced fraud, highlighting its importance in fraud prevention. Training on financial management skills improved loan repayment behavior making funds available for diversification. This increased group revenue, showing strong confidence in its effectiveness. Training mainly focused record keeping, financial management, entrepreneurship, constitution formulation. Little attention was paid to the area of risk management.

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