

Audit Committee Characteristics, Firm Size and Financial Performance of Deposit Taking Saccos in Kenya

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Abstract:

The purpose of the research was to evaluate how internal audit practices and standards affected deposit-taking SACCO financial performance in Kenya. The research also sought to determine how Sacco size affected the link between the financial performance of Kenyan deposit-taking SACCOs and internal audit practices and standards. Agency theory served as the theoretical foundation for the study. The research philosophy that guided this work is in line with positivism. A descriptive survey approach was used in the investigation. Participants in the research were chief accountants, chiefs of internal audit, and financial managers from deposit-accepting SACCOs in Kenya. The research had 504 individuals. 223, the desired sample size, was selected using a conventional random sampling procedure. A structured questionnaire was used in the investigation. Eight SACCOs participated in a pilot test, however the findings were left out of the final analysis. The data was examined using both descriptive and inferential statistics. To describe the data, the research employed descriptive statistics such as mean, standard deviation, and percentages. Using SPSS version 26, inferential analysis included basic linear regression and hierarchical regression. The calculated coefficient of determination (R square) of 0.373, $P=0.000$, indicates that 37.3% of the variation in the financial performance of Deposit Taking Saccos in Kenya can be explained by the audit committee characteristics. The relationship between the size of the Sacco and audit committee characteristics had a substantial moderating influence on the financial performance of Deposit Taking Saccos ($R^2=0.646$, $P=0.001$). The impact of audit committee characteristics on financial performance increases significantly by 0.162 units for every unit increase in Sacco size ($P=0.001$). Therefore, the study concluded that Sacco size is a significant moderator and recommended that SACCOs with larger member deposits should prioritize the composition and effectiveness of their audit committees, ensuring that they are well-equipped with financial expertise and oversight capabilities. This will enable them to effectively manage their resources and operations, ultimately enhancing financial performance.

Keywords:

Audit Committee Characteristics, Firm Size, Financial Performance, Deposit Taking Saccos.