

**INFLUENCE OF AUDIT COMMITTEE CHARACTERISTICS ON FINANCIAL
PERFORMANCE OF DEPOSIT TAKING SAVINGS AND CREDIT CO-
OPERATIVES IN NAIROBI COUNTY, KENYA**


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DECLARATION

This project is my own original work and has not been presented for a degree in any other University


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DEDICATION

I wish to dedicate this research project to my family with much love and thanks for their perseverance and understanding during the period of my study. Thank you for encouraging and supporting me at all times. Be blessed abundantly.

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OPERATIONAL DEFINITION OF TERMS

Audit committee Gender composition: refers to the representation of individuals of different genders within the membership of an audit committee in an organization. The audit committee is typically a sub-committee of a company's board of directors and plays a crucial role in overseeing financial reporting, internal controls, risk management, and the external audit process.

Audit committee Competence: refers to the collective knowledge, skills, and expertise possessed by the members of an audit committee within an organization. The audit committee is a crucial component of corporate governance and is responsible for overseeing financial reporting, internal controls, risk management, and the external audit process.

Audit committee Leadership qualities: refer to the characteristics and attributes that are essential for individuals leading or chairing an audit committee within an organization. The audit committee is a crucial component of corporate governance, responsible for overseeing financial reporting, internal controls, risk management, and the external audit process.

Audit committee Leadership style: refers to the approach, behaviors, and characteristics exhibited by the individual in a leadership role within the audit committee of an organization. The leadership style adopted by the audit committee chair or leader significantly influences the committee's dynamics, decision-making processes, and overall effectiveness in fulfilling its responsibilities related to financial oversight, risk management, and corporate governance.

Organizational culture: refers to the shared values, beliefs, norms, customs, behaviors, and artifacts that characterize the way members of an organization interact with each other and with external stakeholders. It encompasses the unique social and psychological environment within an organization, shaping its identity and influencing how employees perceive and respond to the work environment.

Financial performance: refers to the measurable outcomes and results of an organization's financial activities and operations over a specific period. It provides insights into how well a company utilizes its resources, generates revenue, manages costs, and ultimately creates value for its stakeholders, including investors, creditors, and shareholders.

Deposit Taking savings and credit cooperatives: are financial institutions that operate on a cooperative model and are authorized to accept deposits from their members. These cooperatives provide a range of financial services, including savings and credit facilities, to their members. The primary purpose of DT-SACCOs is to promote thrift and provide a source of affordable credit within a community or among a group of individuals who share a common bond, such as employment, residence, or a specific association.

LIST OF ABBREVIATIONS AND ACRONYMS

AC	Audit Committee
ACGPR	Advisory Committee on Genetic Privacy and Research
ANOVA	Analysis of Variance
ATM	Automated Teller Machine
CAE	Chief Audit Executive
CEO	Chief Executive Officer
CFOs	Chief Finance Officers
CPA	Certified Public Accountant
COVID 19	Coronavirus Disease of 2019
DT-SACCOs	Deposit-Taking Savings and Credit Co-operatives
DTSs	Deposit-Taking Saccos
EACC	Ethics and Anti-Corruption Commission
FOSA	Front Office Services Activity
FRQ	Financial Reporting Quality
ICS	Internal Control System
ICPAK	Institute of Certified Public Accountants
KNBS	Kenya National Bureau of Statistics
KNC	Kenya News Agency
NACOSTI	National Commission for Science, Technology and Innovation
NEDs	Non-Executive Directors
PESTEL	Political, Economic, Social, Technological, Legal and Environmental factors
PM	Profit Margin
RDT	Resource Dependence Theory
ROA	Return on Assets
ROE	Return on Equity
SACCOs	Savings and Credit Co-operatives
SASRA	Sacco Societies Regulatory Authority
SPSS	Statistical Package for Social Sciences
SWOT	Strengths, Weaknesses, Opportunities, and Threats

ABSTRACT

Despite the presence of audit committees in SACCOs, members'/shareholders' savings have been left at risk of fraud and mismanagement. None of the studies reviewed have focused on the manner in which audit committee characteristics affect financial performance in DT-SACCOs in developing countries such as Kenya. The purpose of this study is to establish the relationship between audit committee characteristics and financial performance of DT-SACCOs in Nairobi County Kenya. The study specifically sought to assess the influence of gender composition, competence, leadership qualities, and leadership style characteristics of the audit committee on financial performance of deposit taking SACCOs in Nairobi County, Kenya. This study was based on the Weecha-Maldonado's Model, Lending Credibility Theory, Resource Dependence Theory, and Agency Theory. This study used correlational research design. The study targeted all the 47 deposit-taking SACCOs in Nairobi County, Kenya. Two audit committee members, the CEO, Internal Auditor, Finance Officer and two members in each deposit-taking SACCO formed the unit of observation. Therefore, the target population was 329 respondents. The study adopted census sampling techniques. The researcher used questionnaires for data collection. The study piloted the questionnaire on 25 Sacco members from 5 SACCOs in Kiambu County representing 10% of the 47 deposit taking SACCOs in Nairobi County. Qualitative data was analyzed using content analysis and presented in prose form. Quantitative data collected was analyzed using SPSS version 26. To determine the direction and how strong the variables are related, the study computed Pearson correlation. The influence of independent variables (audit committee characteristics) on the dependent variable (financial performance of DT-SACCOs in Nairobi County Kenya) was determined by computing multiple regression analysis. The findings were presented in tables and figures. The study concludes that audit committee gender composition has a positive and significant effect on financial performance of deposit taking SACCOs in Nairobi County, Kenya. In addition, the study concludes that audit committee competence has a positive and significant effect on financial performance of deposit taking SACCOs in Nairobi County, Kenya. Further, the study concludes that audit committee leadership qualities have a positive and significant effect on financial performance of deposit taking SACCOs in Nairobi County, Kenya. The study also concludes that the audit committee leadership style has a positive and significant effect on financial performance of deposit taking SACCOs in Nairobi County, Kenya. The study concludes that organizational culture has a significant moderating effect on the relationship between audit committee characteristics and financial performance of Deposit Taking SACCOs in Nairobi County Kenya. The study recommends that the management of Deposit Taking SACCOs in Nairobi County Kenya should provide training and capacity-building programs for audit committee members to enhance their skills and knowledge. This should focus on areas such as financial literacy, risk management, and governance practices. In addition, SACCOs should collaborate with industry associations, regulatory bodies, and other SACCOs to share best practices for promoting gender diversity on audit committees. Learning from successful initiatives in other organizations can be valuable.

CHAPTER ONE

INTRODUCTION

The chapter contains the background of the study, statement of the problem, objectives of the study and research questions. The chapter also presents the significance of the study, scope of the study, limitations of the study and organization of the study.

1.1 Background of the Study

According to a diverse body of evidence, efficiency of audit committees is greatly impacted by its composition (Abbott, 2017). Critics underline the importance of audit committees being made up of independent individuals, with some having financial competence, and that the audit committee regularly meet (Carcello, 2016; Abbott, 2018). Although the literature under this field of investigation is mixed, experience on boards of directors and audit committees has been demonstrated to increase corporate value (Chan & Li, 2018; Bronson et al., 2019). Audit committee vigilance, or the regularity with which they meet, has been found to have a favorable influence on business performance in studies (Raghunandan & Rama, 2017; Sharma et. al., 2019). As observed by Abbott (2018), when the audit committee meets at least semi-annually, it reduces the chances of fraud and misleading reports occurring.

The wellness of an institution, and ultimately its existence, is influenced by its financial performance (Iswatia, & Anshoria, 2017). High financial performance reflects a company's management efficacy and efficiency in utilizing its resources; this in return, adds to the overall economy of the country (Naser & Mokhtar, 2018). Auditing does have a key impact in financial success of most businesses, including SACCOs, (Burk, 2017). According to research, one of the causes for business and financial crises occurring throughout the world is a lack of auditing quality (Soltani, 2018). Thus the quality of audit plays a critical role in promoting faith in the integrity and accuracy of financial statements, which is important for improving SACCO's financial performance (Farouk & Hassan, 2018).

Auditors are an important component of the engine that drives strategic objectives. They also provide oversight of the financial reporting process, the audit process, the system of internal controls and compliance with laws and regulations (Lenz, Sarens, & Hoos, 2017).

The changing pattern in corporate governance risk, and changing practices in business as well as change in business environment has put pressure on internal auditors to not only express their opinion regarding procedures but to also work in collaboration with management in order to help them do things in a better way (Van-Gansberghe, 2019). To tackle these problems, you'll need a strategic strategy (Asare, Davidson, & Gramling, 2018).

According to Helen and Arnold (2017), the audit committee holds a pivotal role in overseeing the audit process and facilitating resolution in conflicts between the board and auditors. External directors, as suggested by Cotter et al. (2017), Weisbach (2018), and Weir & Laing (2017), are seen as instrumental in ensuring that decisions made by executive directors align with the best interests of the principal stakeholders, namely, the shareholders. The assertion by Joseph et al. (2017) emphasizes that a proficient audit committee, adhering to sound accounting practices, is integral for organizational effectiveness. Bronson (2019) underscores the significance of effective oversight in the financial reporting process, contending that it relies heavily on the strength of audit committees characterized by qualities such as qualification, commitment, independence, and a resolute mindset. In essence, the collective body of literature suggests that a well-functioning audit committee, dedicated to sound accounting principles, is indispensable for ensuring the efficacy of an organization.

Research findings by Carter *et al.* (2018) indicate that gender diversity within audit committee boards is linked to positive financial performance, a decrease in inherent risk as identified by Ittonen et al. (2019), favorable market reactions according to Defond et al. (2017), and positive cumulative abnormal returns, as highlighted by Huang et al. (2017). Notably, these studies observe that women on audit committees exhibit greater reliability in attendance and contribute to improved attendance among male directors. This underscores the importance of the female influence in fostering robust audit committee discussions and elevating overall effectiveness (Defond et al., 2017). Moreover, an increased presence of female directors on audit committees, as suggested by Bear et al. (2019), is positively associated with an enhanced corporate reputation and, consequently, heightened firm performance.

The primary objective in establishing an audit committee is to enhance auditing quality and oversee the actions of the board of directors, as asserted by Arens et al. (2019). Given the pivotal responsibilities entrusted to audit committees, the significance of their characteristics

becomes increasingly pronounced. Notably, prior research has left unanswered questions regarding the specific thresholds of these factors required to ensure effective committees and how their effectiveness should be gauged, according to DeZoort (2018). This study endeavors to fill this gap by examining the impact of audit committee characteristics on the financial performance of deposit-taking Savings and Credit Cooperative Societies (SACCOs) in Nairobi County, Kenya. The research aims to shed light on the factors influencing the effectiveness of audit committees and their consequential impact on the financial performance of these SACCOs.

Studies conducted in developed economies, such as India as highlighted by Ganguli (2017), frequently contend that the auditing system is robust, supported by stringent legal frameworks to uphold the impartiality, objectivity, and independence of the statutory auditing process. However, a concerning trend has emerged over time, as noted by DeZoort and Salterio (2017), revealing vulnerabilities in the Indian auditing system. This susceptibility has led to various forms of accounting manipulations, irregularities, and leakages, consequently jeopardizing the interests of investors and other stakeholders.

In Australia, the Advisory Committee on Genetic Privacy and Research (ACGPR) explicitly mandates that the audit committee (AC) comprises members who possess financial literacy, demonstrating the ability to read and comprehend financial statements. Furthermore, it stipulates that at least one member should possess relevant experience and educational qualifications, such as being a qualified accountant or another finance professional with expertise in financial and accounting matters. Additionally, the committee recommends that some members should have a comprehensive understanding of the firm's industry, according to the Australian Securities Exchange Corporate Governance Council (2017). Recent research, as affirmed by Krishnan and Visvanathan (2018), affirms the significance of accounting expertise within boards characterized by robust governance structures. Such expertise contributes to heightened monitoring by the audit committee and results in an enhanced level of conservatism within the organization. This underscores the importance of a well-qualified and knowledgeable audit committee in ensuring effective financial oversight and governance.

In Korea, a study conducted by Sonu, Choi, Lee, and Wonsuk, (2019) indicated that an auditor's skill has a constructive connection to audit quality. This study demonstrated that many years of experience in audit improves the auditors work because auditors gain adequate experience in the profession over a given period of time. This study also established that the acquaintance and expertise of the auditor grows over an extended period with actual client involvement. Another study by Kim, Lee, and Lee, (2017) suggests that better quality audit is achieved through compulsory auditor rotation. New rotated auditors make more appropriate reporting decisions through fresh eyes and enhanced independence (Bruynseels, Knechel & Willekens, 2017).

Vuko, Maretić, and Čular (2017) conducted an analysis of the role and effectiveness of the internal governance mechanism, specifically the audit committee, on the performance of credit institutions in Croatia. Their findings revealed that audit committees within credit institutions demonstrated moderate efficiency. Moreover, they observed a significant variance in the effectiveness of audit committees over the analyzed period. Interestingly, they noted a substantial difference in audit committee effectiveness based on the type of audit firm. Despite these variations, no positive correlation was identified between the effectiveness of audit committees and the performance of credit institutions. In a similar vein, Salloum et al. (2018) aimed to emphasize the impact of audit committee characteristics on Lebanese banks, distinguishing between financially distressed and non-distressed institutions. The study explored four audit committee characteristics, namely size, composition, meeting frequency, and financial expertise. The researchers discovered a significant negative relationship between the meeting frequency of audit committees and distressed banks. They emphasized the pivotal role of meeting frequency in ensuring the effectiveness of audit committees, asserting that more frequent meetings contribute to upholding the integrity of financial reporting, enhancing monitoring capabilities, and facilitating effective operational reviews.

In Ghana, Mawutor, Borketey and Obeng (2019) researched elements affecting audit quality in registered firms. The study revealed that audit fee logarithm, audit committee and auditors' size were key to influence company leverage in Ghana. The study therefore concluded that the audit firms' size is absolutely linked to audit efficiency. The total of audit fee charged touches audit quality in that an upsurge in audit fee upsurses the expenditures of the business which therefore reduces the profit of the company. The study further concludes

that when the audit firm earns a significant revenue from the client, it makes the auditor economically dependent on the client.

Firsteberg and Malkiel (2018) conducted a study examining the impact of the functions of the internal audit committee on the financial performance of the Ugandan National Social Security Fund. Their findings indicated a significant influence of the internal audit committee functions on performance, as these functions played a determining role in risk assessment, control environment, information and communication, control activities, and advisory services. Moreover, the study highlighted that internal audit committees played a pivotal role in enhancing financial reporting and ensuring the quality of financial information released within public organizations.

Badara and Saidin (2017) delved into the factors contributing to the effectiveness of internal audit committees at the local governance levels within Nigerian firms. Their study revealed that the effectiveness of an audit committee, particularly in terms of the audit report, is significantly influenced by factors such as the independence of the committee, technical skills, and the adoption of a charter. In a similar vein, Onumah and Yao Krah (2016) conducted a study focusing on the factors that either encourage or hinder effective internal auditing within firms operating in the Ghanaian public sector. The research findings pointed to obstacles in achieving effective audits, including the low professionalism of internal auditors, inadequate support from management, the suboptimal functioning of audit committees, and a lack of budgetary authority within the internal audit department. These factors collectively contribute to challenges in achieving robust internal audit processes in the Ghanaian public sector.

Amare (2016) explored the factors influencing internal audit effectiveness in Ethiopian Private Commercial Banks. The research findings highlighted that the competence of the audit committee, the independence of the audit committee, adherence to the audit charter, and the support of external auditors were crucial elements that enhanced the effectiveness of internal audits in these banks. In a related study, Njeru (2017) investigated how the independence of internal audit committees impacted corporate governance performance in Kenyan banks. The study revealed that the independence of internal audit committees was susceptible to manipulation by the Chief Executive Officer (CEO). This vulnerability stemmed from the CEO's involvement in approving the internal audit committee's budget,

the hiring and firing of the Chief Audit Executive (CAE), and determining the compensation of the CAE. Consequently, this situation posed a risk to corporate governance within the banking sector, leading to potential dilution of governance standards

In a study by Kirima (2016), an examination was undertaken on the factors influencing the performance of the internal audit function in Government Ministries in Kenya. The research outcomes revealed that the work environment of internal auditors, the independence of internal auditors, their technical competences, and exposure to professional audit programs all played significant roles in influencing the performance of the audit function within Government Ministries. Similarly, Matendera (2017) conducted a survey to identify factors affecting the performance of public auditing institutions in Kenya. The research findings pointed to key factors such as the lack of integrity within the audit team, limited professionalism, and insufficient training as significant influencers on the performance of the audit function within public institutions in Kenya.

Financial scandals in Kenya have been experienced in various sectors including the SACCO Sub-Sector. SASRA has revoked a total of 18 operating licenses of DT-SACCOs between the periods 2015 to 2022 and rejected audited annual financial statements of among others Miliki SACCO, Uchongaji SACCO, Ainabkoi SACCO and Moi University SACCO for non-compliance of IFRS and inadequate disclosure of material issues in their audited annual financial statements (The SACCO Supervision Annual Report, 2015-2022). Ekeza SACCO, Uchumi Supermarket, Kenya airways, some Tuskys Supermarket outlets, Dubai Bank and Mumias Sugar Company are also among firms that experienced audit failures (Mwita, 2016). One similar trend in most of these failures is that the majority of them got excellent audit reports before collapsing (Dabor & Dabor, 2018). Ganguli (2018) raises concerns about the failure to adhere to desired audit characteristics in forming effective audit committees. Consequently, this research seeks to establish the correlation between the characteristics of audit committees and the financial performance of deposit-taking Savings and Credit Cooperatives (SACCOs) in Nairobi County, Kenya.

In addition to offering basic savings and credit products, deposit-taking SACCOs in Nairobi County also provide fundamental banking services such as demand deposits, payment services, and quasi-banking services through automated teller machines, as well as Front Office Services activities (FOSA). These institutions are licensed and supervised under the

SACCO Societies Act of 2008. Typically, SACCOs initiate their operations as non-deposit taking entities and gradually evolve into deposit-taking SACCOs to broaden the scope of financial services available to their members (SASRA 2015).

SACCO's are regulated by the SACCO Societies act, the Co-operative Societies act and the SACCO Society Regulations (SASRA 2015). The SACCO sub-sector comprises both Deposit Taking and non-Deposit Taking SACCO's. Deposit Taking SACCO's are licensed and regulated by SASRA. SASRA licenses SACCO's that have been duly registered under the Cooperative Societies Act CaP 490. During the period 2015-2022, the authority has licensed twelve (12) new Saccos to undertake deposit taking business in Kenya. This puts the total number of DT-SACCOs with deposit-taking licenses in Kenya to 176 DT-SACCOs in 2022 (SASRA, 2022).

Despite the impact of the COVID-19 Pandemic on the national economy, the overall performance of DT-SACCOs shows that the Kenyan SACCO lending model remains very resilient even in the wake of external shocks. This can be evidenced by the impressive growths recorded in all the financial performance indicators, normally used to gauge the performance and growth of a deposit taking financial institutions. For instance, the growth in gross loans by 12.24% in 2022 compared to 10.24% in 2021 shows that despite the impact of COVID-19 Pandemic on the national economy, DT-SACCOs continued to lend to their members in the same way they did in the previous years. The total deposits which represent the total savings mobilized by the DT-SACCOs also increased by 10.48% in 2022 compared by a growth rate of 10.10% realised in 2021 (SASRA, 2022). However, poor governance and management of the sector remains a challenge and threat to its survival (Letting, 2019). According to Joseph et al., (2017), a good audit committee practicing good accounting can ensure effectiveness in an organization. This study therefore seeks to determine the influence of audit committee characteristics on financial performance of DTSS.

1.2 Statement of the Problem

The essence of DT-SACCOs in stimulating economic growth by making investment a possibility cannot be underestimated (Kaguri, 2017). The Kenya Government has put in measures to ensure continued performance of SACCOs. The SACCO Societies act, 2008 requires every SACCO to appoint an internal auditor while the SACCO Societies (Deposit-

Taking SACCO Business) Regulations, 2010 stresses the establishment of an internal audit function responsible for reviewing and reporting the financial matters of the SACCO Society and the internal auditor shall report to the audit committee of the board. The Regulations also require establishment of an audit committee to review the financial conditions of the SACCO Society, its internal controls and performance. It has been noted that despite the presence of an internal audit unit in SACCOs, members'/shareholders' savings have been left at risk of fraud and mismanagement (Olando, et, al., 2017).

Despite the regulatory commission's efforts, Mathuva, Muthuma, and Kiweu (2020) noted that Savings and Credit Cooperatives (SACCOs) in Kenya exhibit poor performance, resulting in instances of collapse, closure, and operational restrictions. Though in 2022 no licenses were revoked, in 2021, four Deposit-Taking SACCOs (DT-SACCOs) had their licenses revoked, and between 2015-2022, 18 DT-SACCOs had been delicensed due to their failure to meet financial obligations. Furthermore, there has been a noticeable increase in the ratio of gross non-performing loans to gross loans, rising from 5.12% in 2015 to 8.40% in 2022. Additionally, the total loans grew by Kshs 586.16B in 2022, compared to Kshs 522.25B in 2021 (SASRA,2022). Furthermore, there was a remarkable decline in property, equipment and other assets portfolio from Kshs 51.44 Billion in 2021 to Kshs 40.97 Billion in 2022, which represented 6.37% and 5.58% of the total assets portfolio respectively. Also, 61.37% of the total assets in the year 2022 composed of net loans and advances (SASRA, 2020).

According to Soltani (2018), absence of excellence in audit is among the reasons behind the corporate and financial scandals that are happening across the globe. Studies have found that independent non-executive directors get desired financial performance (Letting, 2016; Kachroo & Majumdar, 2017; Waruingi, 2017; Mathuva, Muthuma & Kiweu, 2020). Studies in developing economies such as Kenya found that many audit committee members do not possess the necessary skills, knowledge and experience to act as audit committee members and perform their duties optimally (Cascarino & Van Esch, 2017). This poor performance therefore raises the question; do those audit committees comprise members with requisite characteristics for the oversight task; is there any relationship between audit committee characteristics and financial performance of SACCOs? Despite there being several studies done on audit committee characteristics there is no documented research on the influence of audit committee characteristics on the financial performance of DT SACCOs in Nairobi

County, Kenya. It is in view of this that this research study sought to fill the contextual gap by researching in DT-Saccos in Kenya. To fill the knowledge gap, the study adopted different sub-measures for each variable and used multi variables unlike most studies that focused on single variables. The study filled methodological gap by using correlational research design that allows it to examine the relationship between two variables. This study therefore examined the influence of audit committee composition on financial performance of deposit taking SACCOs in Nairobi County Kenya.

1.3 Purpose of the Study

This study sought to evaluate the influence of audit committee characteristics on financial performance of deposit taking SACCOs in Nairobi County Kenya.

1.3.1 Specific Objectives

The study was guided by the following specific objectives;

- i. To determine the influence of audit committee gender composition on financial performance of deposit taking SACCOs in Nairobi County, Kenya.
- ii. To evaluate the influence of audit committee competence on financial performance of deposit taking SACCOs in Nairobi County, Kenya.
- iii. To assess the influence of audit committee leadership qualities on financial performance of deposit taking SACCOs in Nairobi County, Kenya.
- iv. To establish the influence of the audit committee leadership style on financial performance of deposit taking SACCOs in Nairobi County, Kenya.
- v. To establish the moderating effect of organizational culture on the relationship between audit committee characteristics and financial performance of Deposit Taking SACCOs in Nairobi County Kenya

1.4 Research Questions

- i. How does the audit committee gender composition influence financial performance of deposit taking SACCOs in Nairobi County, Kenya?

- ii. How does audit committee competence influence financial performance of deposit taking SACCOs in Nairobi County, Kenya?
- iii. How does audit committee leadership qualities influence financial performance of deposit taking SACCOs in Nairobi County, Kenya?
- iv. How does the audit committee leadership style influence financial performance of deposit taking SACCOs in Nairobi County, Kenya?
- v. What is the moderating effect of organizational culture on the relationship between audit committee characteristics and financial performance of Deposit Taking SACCOs in Nairobi County Kenya

1.5 Significance of the Study

Co-operatives have played a significant role in the socio-economic development of nations for centuries and are a reminder to the international community that it is possible to pursue both economic viability and social responsibility (Letting, 2016). The total savings mobilized by the DT-SACCOs represented 33% of the national savings and is currently the leading source of the cooperative credit for socio-economic development in Kenya and contributes immensely to the mobilization of savings (SASRA, 2020). As a result, co-operatives are now playing an important role in the achievement of Kenya Vision 2030 and Sustainable Development Goals. However, the poor governance and management of the sector remains a challenge and threat to its survival and if not addressed the influence of the sector will not continue to be felt. This study is therefore important to the management of DT-SACCOs because it provides information on ways audit committee composition can be used to mitigate the challenge of poor governance and management.

The study provides insight to the management of Deposit Taking SACCOs (DTS) on how the industry is performing in relation to the overall economy and how their businesses are performing in relation to the industry. It enables them to know the audit committee composition that contributes most to improved performance and focus on them in their strategic plans for effective and efficient audit committee to achieve improved performance. The findings of this study enable DTSs to understand the industry they are in better. The findings of the study help them determine how they can use audit committee composition to enhance their performance.

The study is valuable to policy makers since they may have a great understanding on the effects of audit committee composition on DTSs performance. The information from this study will enable the regulatory body to come up with a framework and programs aimed at enabling increased performance through efficient and effective audit committees.

The study also benefits scholars and researchers since it adds to the body of knowledge on the effects of audit committee composition on performance of deposit taking SACCOs. The study provides an empirical literature for those who are studying areas related to this. The study also provides suggestions on areas for further research.

1.6 Scope of the Study

The main focus of this study is to establish the influence of audit committee characteristics on the financial performance of deposit taking SACCOs in Nairobi County Kenya. The study specifically focused on gender composition, competence, leadership qualities, and leadership style characteristics of the audit committees and how it influences financial performance of 47 deposit taking SACCOs in Nairobi County Kenya (Appendix III). The study also adopted organizational culture as the moderating variable.

1.7 Limitation of the Study

Due to the fear that information provided might be used against the SACCO, respondents were reluctant to provide the needed information. The researcher handled the issue by having an introduction letter from the institution and a research permit from National Commission for Science, Technology and Innovation (NACOSTI) to assure the respondents that the study is purely academic and therefore confidentiality and anonymity of the information provided was observed.

Because of the tight schedule of audit committee members, they did not have sufficient time to fill-in the questionnaires which prolong the period of collecting data. The researcher tackled the issue by using drop and pick later technique; where the respondents were given one week to fill-in and return their questionnaires.

Questionnaires were the main data collection tool; therefore, the researcher did not have much control on the respondents in regard to the information that they fill-in the questionnaires. In order to dispel the fear of respondents, the researcher explained to them

that the information they provided was to be used solely for academic purposes; this ensured that the data obtained is accurate.

1.8 Organization of the Study

The study project comprised of five chapters. Chapter one provides background information, the statement of the problem, research objectives and the research questions, significance of the study, scope of the study and limitations of study. Chapter two provides literature review. It specifically covers theoretical review, empirical review, research gaps, and the conceptual framework. Chapter three outlines the research methodology that the study employs, the target population, the sample and sampling techniques that were adapted, data collection techniques, data analysis methods and ethical considerations.

CHAPTER TWO

LITERATURE REVIEW

The chapter reviewed literature related to the relationship between audit committee characteristics and performance of deposit taking SACCOs in Nairobi County Kenya. This chapter gives the details on theoretical review, empirical review, theoretical framework and conceptual framework. The chapter also includes a summary of literature research gaps. Further, the reviewed literature is critiqued and research gap identified.

2.1 Theoretical Review

A theoretical review describes in a critical way the evolution of theories and the way they are understood in different contexts. This section of the proposal reviews theories that are relevant to audit committee characteristics (gender composition, competence, leadership qualities and leadership style) and financial performance.

2.1.1 Weecha-Maldonado's Model

According to this model, an organization goes through a series of five stages in transforming itself from valuing affirmative action to that which is valuing workplace diversity. The stages are: perception of diversity as having strategic benefits; systematic analysis of how its workforce experience diversity; instituting explorative diversity management practices and procedures; intensification of diversity management techniques in all segments of the organization; and finally proper integration and inclusion of all aspects of diversity in the organizations' new found identity (Ismael & Peter, 2010). In the context of decision making in diverse teams, it has been observed that different gender, age, ethnic, and education categories bring in diverse yet invaluable pieces of information, tacit knowledge and experience that not only works to open up the teams' members to their individual assumptions, but also refines the teams' decision making processes thus improving the quality of decisions made by the team (Pitts & O'Toole, 2010). This view assumes that team members are communicating effectively, working collaboratively, and cohesively pushing towards the group goals.

According to Hartog, Boselie, and Paauwe (2004) employees interpret human resource management processes as signals which they need to respond to and adjust their behaviour appropriately to boost performance. Organizational practices that embrace diversity should

be seen as signals to all cadres of employees to also embrace diversity and reap the benefits thereof at individual and group level. This theory supports the workforce diversity variable (gender) by highlighting the different stages of workforce diversity organizations find themselves in, and suggest viable options organizational leaders can use to successfully navigate each stage and reap the benefits of a diverse workforce and minimize its costs. It is predicted that efficient sharing, analysis and processing of information leads to better decisions (O'Flynn, et al., 2011).

Board gender diversity finds support from various theoretical perspectives. Agency theory posits that the board is responsible for monitoring management actions to mitigate agency problems (Finegold et al., 2017). Introducing female directors adds a new dimension to the oversight function, enhancing the effectiveness of monitoring due to the diversity of backgrounds (Low et al., 2017).

Stakeholder theory emphasizes that the board should safeguard the interests of not only shareholders but also other stakeholders, such as customers, employees, and suppliers (Finegold et al., 2017). Female directors, known for their increased sensitivity to social and environmental concerns, are expected to contribute to better firm performance in these areas, thereby enhancing the company's reputation.

Resource dependence theory argues that having female directors on the board enhances human and relational capital, providing a better understanding of female consumer markets and fostering sustained ties with external parties (Carter et al., 2017; Hillman & Dalziel, 2017). Additionally, legitimacy theory suggests that firms adopting more gender-diverse boards can respond to pressures from institutional investors and labor markets, gaining increased legitimacy and business advantages (Singh et al., 2017). This, in turn, is likely to strengthen overall firm performance.

This study therefore seeks to provide a different theoretical approach to gender diversity by using a Weecha-Maldonado's Model. This will widen the body of knowledge on gender diversity from different perspectives. Therefore, the study used the Weecha-Maldonado's Model to explain the influence of audit committee gender composition on financial performance of deposit taking SACCOs in Nairobi County, Kenya.

2.1.2 Lending Credibility Theory

The lending credibility theory proposes that the primary purpose of the audit process is to enhance the credibility of financial statements. Audited financial statements are believed to include elements that boost confidence among financial statement users regarding the accuracy of the figures presented by management. Users are thought to benefit from increased credibility, leading to improved quality and reliability of information for making investment decisions (Hayes et al., 2009).

Management utilizes audited financial statements to bolster stakeholders' trust in its stewardship. Stakeholders, such as stockholders, government entities, or creditors, rely on information received, expecting a fair representation of the organization's economic value and performance. The audit process mitigates information asymmetry, where management possesses more knowledge than stakeholders. However, Porter (2009) concludes that "Audited information does not form the primary basis for investors' investment decisions."

Conversely, financial statements are often viewed as confirming a message that was previously communicated (Hayes et al., 2009). According to this theory, the audit committee's responsibility is to ensure that the final product of the financial reporting cycle benefits interested parties by providing quality information for decision-making. The committee must strive to lend credibility to financial statements.

High-quality financial reporting is crucial for internal and external evaluations of business performance credibility (Bushman & Smith, 2001). For internal decision-making, quality financial information helps managers identify sound projects and enhance investment efficiency (Chen, Hope, Li, & Wang, 2017). Externally, financial information disclosure allows providers of financial resources to better assess investment opportunities and monitor managerial actions (McNichols & Stubben, 2018). In essence, high-quality financial reporting should alleviate external financing constraints by reducing adverse selection or moral hazard costs associated with information asymmetry.

Proponents of the lending credibility theory argue that the need for credibility in financial reporting should motivate organizations to have effective audit committees. An independent, diverse, and competent audit committee ensures the upholding of quality in financial reporting. Kabiru and Rufai (2018) found that audit quality is often linked to the competence

and independence of audit committees in detecting material misstatements and issuing appropriate audit reports.

This study will utilize the lending credibility theory to examine the influence of audit committee competence on the financial performance of deposit-taking Savings and Credit Cooperatives (SACCOs) in Nairobi County, Kenya. The theory aligns with the study's objective, ensuring that financial reporting under audit committees is as accurate as possible, instilling confidence in stakeholders regarding the organization's performance as represented in financial reports.

2.1.3 Resource Dependence Theory

The resource dependence theory, introduced by Pfeffer (1981), posits that an organization's success is contingent upon maximizing the utilization of firm-specific resources. As outlined by Tokuda (2005), the resource dependence theory originates from systems theory, asserting that organizations depend on the external environment to function. In the context of audit firms, this theory suggests that auditors and directors serve as resources, relying on their connections with the external world.

Hillman (2015) further explains that the audit team plays a strategic role in resource mobilization and safeguarding the existing assets of the firm, which can significantly impact its growth. Unique resources specific to an organization need protection to establish a competitive advantage. Given the high competition in the public sector, organizations require ample resources, skills, and strategic planning. The audit committee team, in this regard, is expected to possess essential resources such as skills, knowledge, and legitimacy. Additionally, committee members contribute by establishing links with the external environment through their networks and connections (Abdullah & Valentine, 2019).

Casciaro and Piskorski's (2005) recent study from a RDT perspective represents a "renaissance" of RDT, however, and is a contemporary example of RDT theoretical development. They criticized RDT for (a) a lack of discrimination between power imbalance and mutual dependence; (b) confounding normative prescriptions and theoretical predictions; (c) ambiguities around its boundary conditions; and (d) most empirical work focusing on dependence of one actor on another rather than on reciprocal interdependence. Unlike the agency theory, Resource dependence theory is focused on the advisory support provided to the management (Wang & Huynh, 2017).

The relevancy of this theory is to explain the importance of the audit committee characteristics, which requires a lot of connections, resources, and networks to improve the image of the corporation (Kiel & Nichololson, 2017). This theory is of integral benefit in establishing the influence of audit committee leadership qualities on financial performance of DT Saccos in Nairobi County by underscoring the relevant skills, knowledge and qualities required of audit committee members.

2.2.4 Agency Theory

Proposed by Jensen and Meckling (1976), agency theory provides insights into organizing relationships between two parties, namely the leader and the follower (Schneider, 1984). This theory posits that agency problems, including adverse selection and moral hazard, arise in conditions of uncertainty (Lin, Vargus & Bardhan, 2007). Focused on conflicts of interest between principals and agents in financial reporting and management practices, agency theory has implications for corporate governance, business ethics, and the incurrence of increased agency costs. In contemporary literature discussing the impact of management practices on the financial reporting of public institutions, agency theory has gained prominence.

At its core, agency theory operates on the assumption that separating ownership and management fosters transparency in auditing, making it a widely discussed theory in finance with respect to internal audit functions (Okechukwu & Mohammed, 2017). The central argument is that audit functions help mitigate problems that may arise between principals (owners and stakeholders) and agents (management) within the managerial spheres of the firm (AlShammari, 2019).

In modern organizations where management is distinct from ownership, shareholders (and debt-holders) function as principals, overseeing the actions of management as agents. This separation introduces challenges stemming from owners' inability to monitor management closely (Fama & Jensen, 2013). Owners and agents can invest in control devices, potentially achieving Pareto optimality—maximum gains for all parties—since the agent typically bears the cost of any moral hazard (Lin, Pizzini, Vargus, & Bardhan, 2017).

Various mechanisms can be employed by management to demonstrate the quality of available information. The growing demand for monitoring leads to external audits and the establishment of audit committees (Menon & Williams, 2018). The use of audit committees

is a crucial decision and can aid in the oversight of the board. The theory also suggests that some firms may willingly incur the cost of additional monitoring to enhance transparency (BarYosef & Livnat, 2018). Improving the quality of audits increases access to private information. However, in cases where verifying available information is challenging, the agent may produce inaccurate reports, leading to adverse selection. Agents must consider the impact of human capital opinion in the labor market, as producing false reports has negative repercussions for both the agent and the principal (Fama, 2020).

Critics of agency theory have noticed as well that control mechanisms suggested on the basis of agency theory are not only expensive, but also economically ineffective, because mechanisms protecting shareholders' interests may interfere with realization of strategic decisions, may restrict collective actions (Fleming, Heaney, & McCosker, 2005). Also, in the agency theory, the focus is merely on the shareholder-manager relationship or the principal-agent relationship and not so much on other stakeholders (Gilson & Gordon, 2003). In order to avoid these kinds of issues on the part of other stakeholders, another theory was created which was the stakeholder theory.

The decisions made by the audit committee might have limitations in effectively addressing the challenges affecting various stakeholders, resulting in inconclusive outcomes. Therefore, the current research employs the agency theory to establish a connection between the leadership qualities and style of the audit committee as elements of the characteristics influencing the financial performance of deposit-taking SACCOs.

2.2 Empirical Review

2.2.1 Audit Committee Gender Composition

In recent studies, gender diversity on boards of directors and committees has been recognized as a factor enhancing their effectiveness (Chen et al., 2016; Lai et al., 2017; Aldamen et al., 2018). The presence of female directors on boards is seen as contributing to improved decision quality, enhancing the board's ability to monitor corporate disclosure and reports (Adams & Ferreira, 2019; Gul et al., 2017), and influencing risk aversion and conservatism in decision-making and management oversight (Thiruvadi & Huang, 2017).

Moreover, recent research highlights that gender diversity serves a crucial role in corporate governance and impacts the activities and independence of boards of directors (e.g., Huse et

al., 2019; Adams & Ferreira, 2019). This emphasizes that having female directors on the board and its subgroups, such as the audit committee, goes beyond a matter of gender equality, becoming a significant aspect of corporate governance that requires careful consideration (Aldamen et al., 2018). Ferrell and Skinner (2018) note differences in ethical attitudes and behavior between men and women, with women approaching ethical dilemmas in terms of relationships, care, and compassion, while men tend to focus on justice, rules, and rights. Studies, such as those by Chonko and Hunt (2017) and Ferrell and Skinner (2018), suggest that women managers prioritize the ethical aspects of decisions more than their male counterparts, indicating potential differences in values.

Soltana et al. (2017) argue that gender differences on the audit committee may disrupt the activity of the small group, leading to the formation of a majority and minority and a decline in the committee's effectiveness. In contrast, gender diversity on audit committees, with experienced members offering diverse perspectives, can help the committee address a wide range of accounting issues, reducing opportunities for fraud and financial misstatements (Gul et al., 2017). However, Chen et al. (2016) caution that some companies may appoint female directors to merely address criticism without genuine commitment to diversity. Their study investigates the effects of board gender diversity on internal control weaknesses and questions the credibility of critical mass theory, which suggests that a certain threshold of female directors is needed for meaningful impact. This study also explores the relationship between gender diversity on the audit committee, a crucial subgroup of the board, and financial restatements.

Regarding gender diversity on boards, Marinova, Plantenga and Remery (2019) note that companies are currently beginning to experience substantial changes in pools of prospective candidates as ladies begin to compete for higher settings in companies, leading to gender diversity at the board level. Ittonen, Miettinen and Vahamaa (2019) found evidence that firms with female representation on the audit committee reduced the inherent risk of misstatements. Their results have implications for external auditing since they also found that gender diversity is associated with lower audit fees. Female directors are more prepared for board meetings than male directors, according to Huse and Solberg (2016), which leads to enhanced board behavior and effectiveness.

Huang, Yan, Fornaro, and Elshahat (2017) investigated market reactions to the gender of audit committee directors using data from publicly listed international companies in the United States. Female members of the audit committee, according to the study, can boost corporate governance by virtue of their conservative and ethical values. As a result, the meetings sent a good message to stock market players. The analysis covered all audit committee nominations for US traded international corporations from 2002 to 2009 in order to observe the influence of audit committee gender diversity on foreign firms. The study discovered that appointing female audit committee members resulted in significantly higher cumulative abnormal returns than appointing male audit committee members.

Chijoke-Mgbame, Agyenim Chijoke, and Mgbame (2020) investigated the impact of board gender diversity and audit committee composition on financial performance in Nigeria. In an African context with weak institutions, the study, based on a panel of 77 firms, found a positive and significant influence of female board representation on firm financial performance. The research also suggested that the performance effect of gender diversity is more pronounced in firms with two or more female directors, indicating that building a critical mass of female representation enhances financial performance. Additionally, the inclusion of females on the audit committee appeared to positively impact firm financial performance.

Oradi and Izadi (2020) explored the relationship between audit committee gender diversity and financial reporting, focusing on the incidence of financial restatements in Iranian listed companies from 2013 to 2017. Their study, employing a logistic regression model, revealed that the presence of at least one female member on audit committees reduced the likelihood of financial restatements. Independent and financial expert female members were particularly associated with a lower incidence of restatements. The study also suggested that the presence of female members on the audit committee increased the likelihood of hiring higher-quality auditors.

Wakaba (2018) investigated the impact of audit committee composition on the financial performance of firms listed on the Nairobi Stock Exchange. The study, using data from 46 companies listed from 2006 to 2011, found that audit committee experience, gender diversity, size, and the number of independent auditors significantly influenced firm performance. The research utilized the agency theory and institutional theory in its explanatory design.

The prevailing cultural barriers in Africa, which distinguish between female and male roles, may contribute to gender inequality and reinforce stereotypes. Institutional environments in Africa often minimize gender roles, leading to the persistence of gender inequality. This study aims to contribute to the accounting literature by providing evidence from a developing country context where institutions and corporate governance practices are weak, addressing an under-researched area concerning the equality of women in corporate activities. Additionally, the study will shed light on the association between increased female representation and organizational performance in the context of debates on the need for greater gender diversity in corporate boards globally. It seeks to provide insights for developing clearer corporate policies promoting female participation in corporate activities, particularly in developing countries in Africa. Lastly, the study distinguishes between female representation on the board and female participation on board committees, adding evidence regarding the contribution of female representation in specific tasks at the committee level to overall financial performance.

2.2.2 Audit Committee Competence

Audit committees play a crucial role in ensuring the integrity and transparency of financial reporting within an organization. One of the key factors that contribute to the effectiveness of an audit committee is its competence. Competence in this context refers to the collective skills, knowledge, and experience of the committee members, enabling them to fulfill their responsibilities effectively. The competence of an audit committee is typically reflected in the expertise of its members, who are often drawn from diverse backgrounds such as finance, accounting, and corporate governance. These individuals bring a range of skills that are essential for evaluating financial statements, assessing internal controls, and understanding the regulatory landscape (Yang & Krishnan, 2017). Furthermore, a competent audit committee is well-versed in industry-specific challenges and risks, allowing them to provide valuable insights and recommendations to the board of directors. The roles of an audit committee can be broadly categorized into oversight, assurance, and advisory functions. In terms of oversight, the committee monitors the financial reporting process, ensuring that it is accurate, timely, and in compliance with relevant accounting standards. This involves reviewing financial statements, assessing accounting policies, and discussing any significant accounting judgments made by management (Velte, 2017).

The assurance function involves overseeing the external audit process. Audit committees are responsible for appointing and evaluating the external auditor, ensuring their independence, and reviewing the scope and results of the audit. This role is crucial in maintaining the credibility of financial statements and providing assurance to shareholders and other stakeholders. In addition to oversight and assurance, audit committees also play an advisory role. They collaborate with management to identify and address risks related to financial reporting and internal controls. By engaging in a continuous dialogue with internal and external auditors, as well as with management, the committee can provide valuable insights that contribute to the improvement of the organization's overall governance and risk management processes (Lee & Stone, 2017).

Bedard, Chtourou, and Courteau (2018) conducted research on the effect of audit committee expertise, independence, and activity on aggressive earnings management. The study explored the relationship between audit committee financial competence and the extent of corporate earnings management, finding a significant association between aggressive earnings management and the financial and governance expertise of audit committee members. The research highlighted the negative association between aggressive earnings management and the presence of a clear mandate defining the responsibilities of the committee.

McDaniel, Martin, and Maines (2018) argue that the audit committee should have at least one member with financial and accounting competence to ensure the quality of profit and financial statements. Previous research has demonstrated the positive impact of accounting and finance competence on earnings quality and financial reporting accuracy (Kallamu & Saat, 2017). Defond et al. (2017) asserted that the market reacts positively to firms appointing accounting financial experts to their audit committee, assuming that a higher level of audit committee competence leads to more qualitative financial reporting, positively influencing investors' decisions.

Al-Hadrami, Rafiki, and Sarea (2020) conducted research on the impact of an audit committee's independence and competence on investment decision-making in Bahrain. The study, using a quantitative method and a stratified random sample of 409 respondents from 39 listed companies, found that audit committee independence and competence positively and significantly influence investment decision-making.

Krishnan and Visvanathan (2017) focused on audit committee financial competence and financial reporting quality in Nigeria. Their research, analyzing 725 observations of non-financial listed companies on the Nigerian Stock Exchange from 2010 to 2014, revealed that financial expertise positively and significantly affects audit committee monitoring mechanisms and influences the financial reporting quality of listed non-financial firms in Nigeria. Another study in Nigeria by Kibiya et al. (2016) found that the existence of financial experts in the audit committee has a significant impact on the quality of financial reporting for listed companies.

Agung (2017) conducted research on the impact of specific types of financial expert groups, including accountants and financial brokers, performing financial oversight duties. The study found that professional accountants are effective in evaluating a firm's compliance with accounting standards and treatments. This suggests that members' educational backgrounds and experience influence their focus on the committee's activities. The research recommended the inclusion of members in the audit committee with expertise and knowledge in accounting and auditing, as most of the committee's responsibilities are related to these areas.

Mwangi (2018) investigated the impact of audit committee characteristics on financial reporting quality in non-commercial state businesses in Kenya. The study specifically examined the impact of audit committee financial competency on financial reporting quality. All state-owned non-commercial corporations were included in the investigation. The study, guided by agency theory, employed a descriptive research approach. The findings revealed that audit committee financial competence and the frequency of audit committee meetings reduced the ratio of queried transactions to the annual budget of non-commercial state corporations in Kenya.

Several studies have consistently found a significant association between audit committee competence and the production of high-quality financial reports (McDaniel et al., 2018; Abbott et al., 2018; Carcello et al., 2016; Kibiya et al., 2016). Additionally, other studies have emphasized the importance of audit committee competence for the quality of the internal audit function, as demonstrated by research from Raghunandan et al. (2017) and Goodwin and Yeo (2017). Goodwin's (2017) study in Australia and New Zealand companies revealed that audit committee members with financial literacy, specifically in accounting and finance, significantly influenced the relationship between the audit committee and the

internal audit function. Regarding the quality of internal control, Krishnan (2017) found a positive relationship between the number of audit committee members with financial experience and the quality of internal control. Similarly, Krishnan and Visvanathan (2017) found an inverse relationship between the financial experience of audit committee members and fraudulent practices in the firms investigated. However, Abbott et al. (2018) did not find a significant relationship between audit committee competence (having financial expertise) and financial report misstatements. Yang and Krishnan (2017) and Lin et al. (2016) also found no significant relationship between audit committee competence and the quality of financial reporting.

Most previous studies have asserted a positive relationship between audit committee competence and the quality of financial reporting, which is valued by investors (Cohen et al., 2016). Investors are likely to perceive financial reporting as more reliable if they have confidence in the competence of the audit committee, positively impacting their investment decisions. While the reviewed studies primarily focus on financial reporting and have been conducted in developed countries, this study aims to explore the relationship between competence and financial performance in developing countries, specifically Kenya. Furthermore, most studies have concentrated on single aspects of competence, making this study significant by focusing on financial competence, accounting expertise, and industry expertise.

2.2.3 Audit Committee Leadership Qualities

Effective leadership within an audit committee is crucial for ensuring the committee's success in fulfilling its responsibilities. The chairperson of the audit committee, in particular, plays a central role in providing direction, facilitating communication, and promoting a culture of accountability. Several key leadership qualities are essential for guiding an audit committee to achieve its objectives. First and foremost, a strong leader of an audit committee should possess a deep understanding of financial reporting, accounting principles, and internal controls. This technical expertise is vital for comprehending the complexities of the audit process and evaluating financial statements critically. A leader with a solid foundation in these areas can effectively guide discussions, ask pertinent questions, and challenge assumptions to ensure the committee's thorough examination of financial matters (Carcello, Hermanson & Ye, 2017).

Communication skills are equally vital for an audit committee leader. The ability to convey complex financial information in a clear and understandable manner is essential, as the committee often interacts with stakeholders who may not have a finance or accounting background. A leader who can articulate key findings and recommendations fosters a transparent and collaborative environment, promoting effective communication among committee members, management, external auditors, and the board of directors. Integrity is a foundational quality for audit committee leaders. Given the committee's role in overseeing financial reporting and ensuring compliance, the leader must exemplify the highest ethical standards. This includes a commitment to objectivity, independence, and a willingness to act in the best interests of the organization and its stakeholders. Upholding integrity builds trust within the committee and with external parties, reinforcing the credibility of the audit process (Gendron & Bédard, 2016).

Strategic thinking is another essential leadership quality. A leader who can take a forward-looking approach and understand the broader business context helps the committee address emerging risks and challenges. Strategic thinking involves considering the long-term implications of financial decisions, anticipating potential issues, and aligning the audit committee's activities with the organization's overall goals and objectives. Additionally, effective leadership within an audit committee requires strong organizational and time management skills. The leader must ensure that the committee's agenda covers all necessary topics, that meetings are well-structured, and that discussions are focused on key priorities. Timely and efficient decision-making is critical in the dynamic and often fast-paced environment of financial oversight (Buchanan & Huczynski, 2017).

Buchanan and Huczynski (2017) suggest that leadership is the process of influencing the activities of an organized group in its efforts towards certain goals. Strong leadership qualities are imperative to running any audit team at the highest possible level (Fontaine et al. 2016). Audit leaders, supervisors, and managers need to learn tools and techniques for cultivating and maintaining an effective and efficient team, keeping them motivated and efficient through the entire audit process (Gendron & Bédard, 2016).

Concerns about audit committee effectiveness include whether they have the right leadership skills or if they ask the right questions (Carcello, Hermanson & Ye, 2017). In the past, pointing fingers at external auditors and sometimes lawyers have allowed audit committees to dodge public wrath (Ghafran & Yasmin, 2018). Nowadays, public trust has been on the decline as the role of the audit committee and internal audit have been brought into focus (Khemakhem & Fontaine, 2019). Oversight roles are also changing. Above and beyond the traditional areas of financial statements and internal controls, audit committees increasingly oversee risk management programme design, efficiency and effectiveness, responsibility and risk response (Spangler & Briotta, 2020). Therefore, audit committee members are expected to have a high level of integrity as well as an inquisitive and open mind (Khemakhem & Fontaine, 2019). They need to be prepared to challenge and maintain a healthy level of skepticism and they need to maintain their objectivity.

The chair is considered the leader of the audit committee (Ghafran & Yasmin, 2018) therefore, the chairperson needs strong leadership qualities and must encourage teamwork (Griffin, 2018). They should also remain objective and be willing to dedicate additional time as well as possess adequate financial acumen and an awareness of international, regional and local financial and accounting best practices (Pejic Bach *et al.*, 2016). They must be available in times of crisis outside of committee meetings in case urgent issues are raised by management or internal or external auditors. Leaders must also drive high-quality reporting to the main Board on the work of the audit committee (Rožman *et al.*, 2017).

2.2.4 Audit Committee Leadership Style

The leadership style adopted by the chairperson of an audit committee significantly influences the committee's effectiveness and its ability to fulfill its oversight responsibilities (Gartner & Stough (2018). Several leadership styles can be effective in the context of an audit committee, depending on the organization's culture, the nature of its industry, and the specific challenges it faces. One prominent leadership style is the collaborative or participative approach. In this style, the chairperson fosters open communication and encourages active involvement from all committee members. Collaboration promotes diverse perspectives and expertise, enhancing the committee's collective ability to identify risks, evaluate financial information, and formulate recommendations. A participative leadership style can contribute to a culture of teamwork and shared responsibility within the committee (Avolio & Bass, 2018).

On the other hand, a directive leadership style may be appropriate in situations that demand decisive action and clear guidance. The chairperson takes a more assertive role in setting the agenda, making decisions, and providing specific instructions. This style can be effective when time is of the essence, and the committee needs to address urgent issues or respond to significant financial challenges. However, it is crucial for a directive leader to balance assertiveness with inclusivity to maintain the committee's cohesion. Transformational leadership is another style that emphasizes inspiring and motivating committee members to excel in their roles. A transformational leader sets high expectations, encourages innovation, and fosters a commitment to continuous improvement. This style is particularly relevant in dynamic environments where the audit committee must adapt to evolving regulatory requirements, emerging risks, and changes in the business landscape (Tajudin, & Mahmood (2017).

Adaptive leadership is characterized by the ability to adjust the leadership approach based on the specific needs and challenges faced by the audit committee. An adaptive leader is flexible and responsive, recognizing that different situations may require different leadership styles. This approach allows the chairperson to tailor their leadership to the committee's evolving priorities and to effectively navigate diverse issues. Regardless of the specific leadership style, effective communication is a common thread. The chairperson must communicate clearly and transparently with committee members, management, external auditors, and the board of directors. Clear communication is essential for conveying expectations, sharing insights, and ensuring that all stakeholders have a comprehensive understanding of the committee's activities and findings (Gartner & Stough, 2018).

Research conducted by Gartner and Stough, (2018) demonstrated that a collaborative or participative leadership style within audit committees is positively correlated with improved organizational performance. This style encourages open communication, diverse perspectives, and shared responsibility, fostering a strong governance environment. In addition, Studies by Tajudin, & Mahmood (2017) have suggested that transformational leadership within audit committees is associated with enhanced organizational innovation and adaptability. Leaders who inspire and motivate committee members may contribute to a culture of continuous improvement, positively impacting long-term performance. Avolio and Bass, (2018) research indicated that adaptive leadership, characterized by flexibility and responsiveness, may be particularly beneficial in dynamic environments. Audit committees led by adaptive leaders

could be better equipped to navigate changing regulatory landscapes and emerging risks, potentially contributing to enhanced organizational resilience.

2.2.5 Financial Performance

Financial performance is a comprehensive assessment of a company's ability to generate profits and create value for its shareholders. It encompasses various financial metrics and indicators that provide insights into the overall health and efficiency of an organization's operations.

Understanding financial performance is crucial for investors, creditors, management, and other stakeholders as it helps in making informed decisions and evaluating the sustainability of a business (AlMatari, 2018).

One key aspect of financial performance is profitability. Profitability ratios, such as net profit margin and return on equity, assess the company's ability to generate earnings relative to its revenue and equity. A high net profit margin indicates effective cost management, while a strong return on equity suggests efficient use of shareholder capital. Liquidity is another critical dimension of financial performance. Liquidity ratios, such as the current ratio and quick ratio, measure a company's ability to meet its short-term obligations. Adequate liquidity is essential for covering day-to-day operational expenses and honoring short-term liabilities, ensuring the company's ongoing financial stability.

Efficiency ratios provide insights into how well a company utilizes its resources. For instance, inventory turnover and accounts receivable turnover ratios assess the effectiveness of inventory and accounts receivable management. Higher turnover ratios generally indicate efficient utilization of assets, contributing to improved financial performance. Financial leverage is an aspect of performance that assesses the use of debt to finance operations. While debt can amplify returns, it also increases financial risk. Debt ratios, such as the debt-to-equity ratio, help evaluate the company's capital structure and its ability to manage debt levels responsibly (Aargyropoulou & Motwani, 2018).

Investors often look at growth indicators to evaluate a company's future prospects. Metrics like revenue growth and earnings per share growth provide insights into a company's ability to

expand its operations and increase shareholder value over time. Sustainable growth is a positive signal for long-term financial performance. Furthermore, cash flow analysis is integral to assessing financial performance. Operating, investing, and financing cash flows provide a comprehensive view of how cash moves through a company. Positive cash flow from operating activities indicates the company's ability to generate cash from its core business operations, supporting ongoing financial health and investment (Staudt, Alpan, Di Mascolo, & Rodriguez, 2017).

Most of the studies reviewed have used secondary data to measure performance. This study will measure performance using ROA. Also, this study will be conducted in DT SACCOs which is an area that is less researched on therefore, this study will add to the body of knowledge on ways in which gender composition, competence, leadership qualities, and leadership style characteristics influence financial performance of deposit taking SACCOs in Nairobi County Kenya.

2.3 Summary of Literature and Research Gaps

Table 2.1: Summary of Literature and Research Gaps

Author(s)/Topic	Objectives/Focus	Methodology	Findings	Research Gap	Focus of the current study
Amare (2016) factors that determine internal audit effectiveness in Ethiopian Private Commercial Banks.	To determine the influence of competence of the audit committee, independence of the audit committee, operation of the audit charter, and support of external auditors on internal audit effectiveness	The study collected data from employees of commercial banks in Ethiopia using semi-structured questionnaires. Data collection was done using questionnaires.	Competence of the audit committee, the independence of the audit committee, operation of the audit charter, and support of external auditors enhanced the internal audit effectiveness.	The existing studies focused mostly on the quality of the financial reporting within the private sector; especially the financial institutions	The current study focused on DT-Saccos and established the influence of gender composition, competence, leadership qualities, and leadership style characteristics of audit committee on financial performance
Madakawi, A. (2016). Audit Committee Characteristics and Financial Reporting Quality: Evidence from Nigerian Listed Companies	To investigate the effect of audit committee characteristics on the quality of financial reporting of Nigerian listed firms	The study employed multivariate regression analysis with a sample size of 101 and firms-year longitudinal panels of 505 observations of non-financial listed companies on Nigerian Stock Exchange for the period 2010 to 2014. It	Audit committee share ownership, financial expertise are positive and statistically significant, indicating that audit committee monitoring mechanisms influence the financial reporting quality of listed non-	Study was conducted on Nigerian listed companies. The study further focused on share ownership and financial expertise	Current study was conducted in Kenya and it focused on gender composition, competence, leadership qualities, and leadership style characteristics of audit committee. The variables used in

		also adopt McNicholas (2002) model	financial firms in Nigeria		the study are different
Madawaki, A & Amran, N. (2017). Audit Committees: How They Affect Financial Reporting in Nigerian Companies.	Examine whether audit committees are associated with improved financial reporting quality	A sample of 70 Nigerian listed companies. This study uses archival data in the form of companies' annual reports to measure the association between audit committees and improved financial reporting quality. Dechow and Dichev (2002)'s model was used	The results indicate that formation of audit committees was positively associated with improved financial reporting quality.	It was conducted on companies in Nigeria. The study further focused on independent chair and audit committee expertise only	Current study was conducted in deposit taking SACCOs in Nairobi County Kenya. Current study included gender composition, competence, leadership qualities, and leadership style characteristics of audit committee in addressing the gap in concept (measures of AC characteristics) are different
Kantudu and Samaila (2017) The Audit Report: A “Misunderstanding Gap” Between Users and Preparers	Examine the influence of board characteristics, independent audit committee on financial reporting quality of oil marketing firms	The study was driven by the positivist research philosophy and a deductive research approach using a multi-method quantitative research design. Descriptive and inferential statistics were	Findings revealed that board expertise was statistically significant and positively related to financial reporting quality at 5% level of significance, while board independence and	Study focused on board characteristics, independent audit committee and financial reporting quality of oil marketing firms	Current study focused on audit committee characteristics and financial performance of deposit taking SACCOs in Nairobi County Kenya

		employed to summarize the data and to draw inference on the population studied. We employed the Generalized Linear Model Regression in testing the hypotheses stated.	board diversity was found to be insignificantly related to financial reporting quality at 5% level of significance.		
Hundal (2017). Multiple directorships of corporate boards and firm performance in India.	To investigate, the association between multiple directorship assignments (busyness) undertaken by corporate directors and firm performance, second, whether endogenously determined limits of multiple directorships, highlighting the ownership structure	The spline regression technique is applied in order to reflect institutional settings of a large sample and sub-samples of firms classified as local private, foreign and government firms in India.	The effect of busyness can be different on different firms; however, exogenously fixed regulatory limits do not reflect their institutional settings	Study did not link audit committee characteristics with financial performance which will be conducted in the current study	Current study links audit committee characteristics with financial performance and the study was conducted in Kenya
Moses, Ofurum, and Egbe (2018) studied the characteristics of 'audit committee on (FRQ) in Nigerian banks	To determine the effect of (AC) size and the (FRQ) in Nigerian banks.	The Jones model, and correlation was used.	It showed insignificant impact concerning the (AC) size and the (FRQ) in Nigerian banks.	Study focused on commercial banks	The current study focused on DT-SACCOs The study further employed correlation design while the current study utilized descriptive research design.

Ghafran, (2017). Audit committees and financial reporting quality	Examine the impact of audit committee characteristics on financial reporting quality in the context of a large sample of UK companies over the period 2007-2010.	This study utilized the audit fee and non-audit fee ratio as its proxies for audit quality and accruals based earnings management models as its proxies for earnings quality.	The findings showed that audit committees meeting three or more times per year and fully independent audit committees exert a significant positive impact on the quality of reported earnings.	Study focused on the impact of audit committee characteristics on financial reporting quality in the context of a large sample of UK companies over the period 2007-2010.	The current study focused on influence of audit committee characteristics on financial performance of DT-Saccos in Kenya
Gunes, & Atilgan, (2016). Comparison of the Effectiveness of Audit Committees in the UK and Turkish Banks.	Measure the emphasis of effective audit committees on bank performance using ROA, ROE and net interest margin	The study used secondary data collected in the Turkish and the UK banks during 2006-2010.	Both ROA and ROE had negative association with age of member and independent member of directors. Net interest Margin had negative association with independent member of board	Study focused on effective audit committees on bank performance in the UK and Turkish banks	Current study focused on influence of audit committee characteristics on financial performance of deposit taking SACCOs in Kenya
Chang, Chen, & Zhou, (2017). Determinants and Consequences of Audit Committee Effectiveness: Evidence from China.	Examine determinants and consequences of audit committee effectiveness with evidence from China	The study constructed a unique sample to study the determinants and consequences of audit committee effectiveness	Firms with independent director, accounting expertise, paid supervisors, large chairman ownership, greater total assets, and Big 4 auditors have effective committees	The study focused on the determinants and consequences of audit committee effectiveness with evidence from China	Current study focused on influence of audit committee characteristics on financial performance of deposit taking SACCOs in Kenya
Wakaba, (2018). Effect of audit	To establish the effect of audit committee	The study adopted an explanatory design	Audit committee experience,	The study focused on the	Current study focused on

committee characteristics on financial performance of companies listed at the Nairobi securities exchange	size, audit committee gender diversity on firm performance.	and was conducted on firms listed on the Nairobi Securities Exchange for the period ranging from 2006 to 2011. Descriptive statistics and Multiple Regression were used	committee gender diversity, audit committee size and number of independent auditors has a significant effect on firm performance	effect of audit committee characteristics on firm performance among listed firms in Nairobi securities exchange, Kenya.	influence of audit committee characteristics on financial performance of deposit taking SACCOs
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2.4 Conceptual Framework

A conceptual framework is a theoretical structure or system of concepts that provides a foundation for understanding, analyzing, and interpreting a particular set of phenomena. It serves as a guiding framework that helps researchers, scholars, and practitioners organize their thoughts, develop hypotheses, and conduct investigations within a specific field of study. (Mugenda & Mugenda, 2018). The dependent variable is financial performance of deposit taking SACCOs in Nairobi County, Kenya. The independent variables are audit committee characteristics (gender composition, competence, leadership qualities, and leadership style) while the moderating variable is organizational culture. Figure 2.1 below presents the conceptual framework that guides this study.

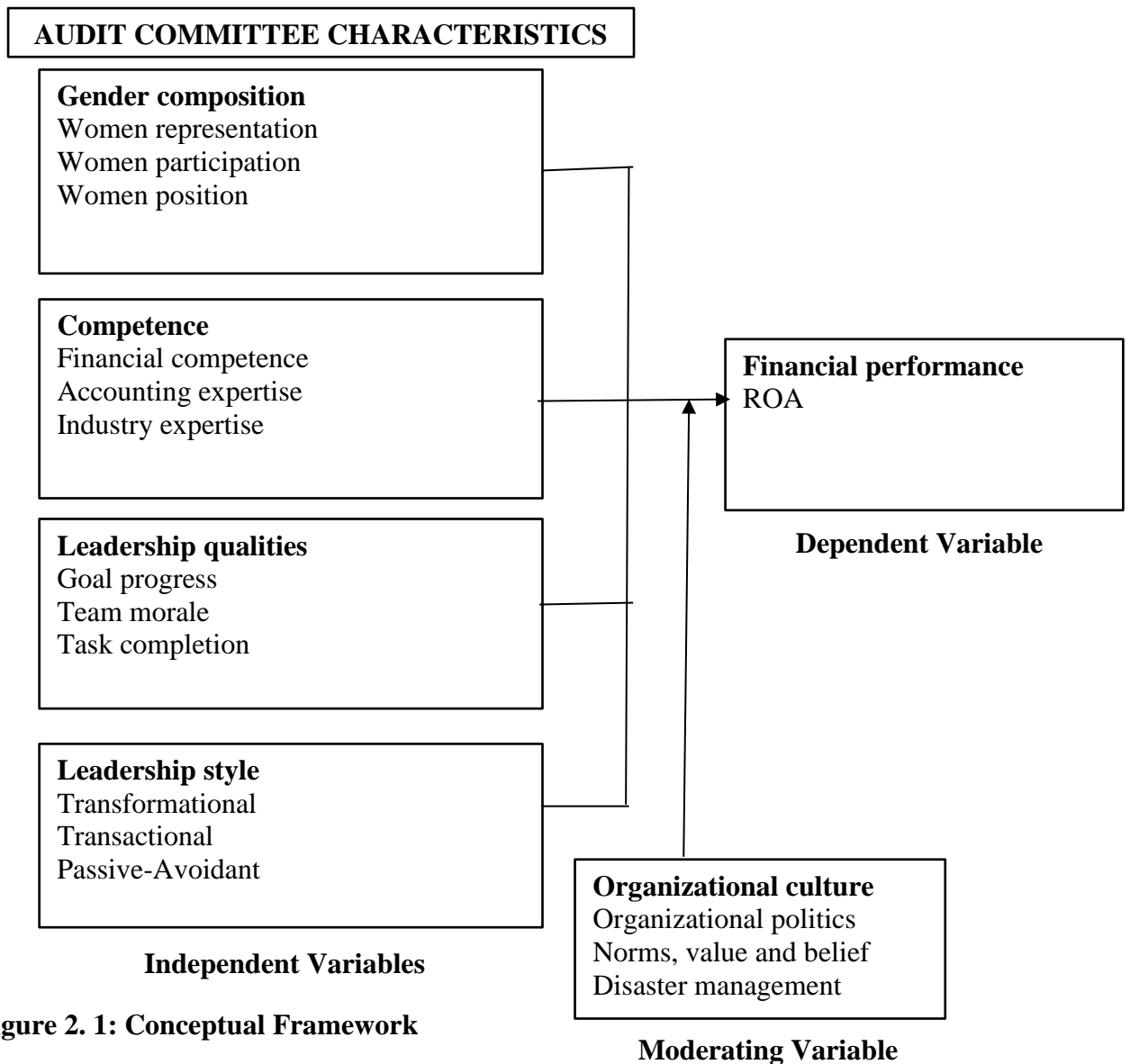


Figure 2. 1: Conceptual Framework

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter presents the methodology to be used to carry out the study. The study describes the research design, empirical model, operationalization and measurement of variables, target population, sampling design, data collection instruments, pilot study and data analysis and presentation.

3.1 Research Design

Research design refers to the overall plan or structure that guides the process of collecting, analyzing, and interpreting data in a research study. It is a systematic and organized framework that outlines the procedures and methods to be employed to address the research questions or objectives. (Creswell & Plano, 2017).

Correlational research is ideal for gathering data quickly from natural settings. That helps generalize findings to real-life situations in an externally valid way. It investigates relationships between variables without the researcher controlling or manipulating any of them. A correlation reflects the strength and/or direction of the relationship between two (or more) variables. The direction of a correlation can be either positive or negative. Correlational research gives accurate means of evaluating information while enabling the researcher to confirm whether there were significant causalities among the variables (Harlow, 2014). Further, the design offers the researcher the opportunity to capture population characteristics and test hypotheses quantitatively and qualitatively.

The research design was used to investigate the research problem, which involved examining the correlation between audit committee characteristics and financial performance of deposit taking SACCOs in Nairobi County Kenya. The design was chosen as it was well-suited for the specific research question, which focused on identifying a statistical relationship between these variables at a particular point in time. Correlational research design allows for the assessment of associations or links between variables without manipulating them, making it suitable for scenarios where causality may not be the primary focus of the study.

3.2 Study Area

This study was conducted in Nairobi County, Kenya among Deposit Taking SACCOs. These are SACCO Societies licensed by the Authority to undertake Deposit Taking Business (FOSA) in Kenya. They also offer front office services where members can walk into their banking halls as they withdraw or deposit money into their accounts. Deposit-taking SACCOs, regulated by SASRA (Sacco Societies Regulatory Authority), are authorized and supervised financial institutions. In addition to offering fundamental savings and credit products, these SACCOs provide essential banking services. This includes facilitating demand deposits, offering payment services, and, in certain cases, providing Automated Teller Machines (ATMs). These deposit-taking Saccos are allowed to offer easy to withdraw savings account (banking) services, through front office savings activities (SASRA, 2020).

SASRA (Sacco Societies Regulatory Authority) is the sole licensing authority for deposit-taking Saccos in Kenya, under the Saccos Societies Act. SASRA draws its powers from the Sacco Societies Act, 2008 and the accompanying regulations. The Deposit-Taking Saccos (DT Sacco) segment within the sub-sector consists of Saccos that engage in accepting both withdrawable and non-withdrawable deposits. The non-withdrawable deposits, serving as collateral, are not refundable unless the member ceases their membership from the Sacco Society. The non-deposit-taking Saccos are licensed by the Co-operative Societies Act. They are not authorized to take withdrawable deposits or present themselves to the public as deposit-taking entities.

The primary purpose of an audit committee is to provide oversight of the financial reporting process, the audit process, the system of internal controls and compliance with laws and regulations (Lenz, Sarens, & Hoos, 2017). Sacco Societies Act Section 44 and 45 expressly provides for external auditors' roles in deposit taking Saccos. It is further strengthened by Regulation 56 of Sacco Regulations. Contents are: -Section 44 and 45 provides that auditors are qualified as per Companies Act (CPA, ICPAK membership, etc). SASRA requirements are: Sacco to have an effective internal auditor; Monthly returns on all important facets/ratios; Audited accounts (expected to be in harmony with returns) and inclusion of key audit matters; Management letters emphasizing on areas of Sacco system weaknesses and recommendations on how to correct them; All internal stakeholders trainings (Board, management, supervisory Board and other employees); and Keeping records and relevant policies guiding employees on all critical areas (SASRA, 2020). This study was limited to

Nairobi County because it has the highest population of Saccos and therefore, it provides a good representation of DT-Saccos. Nairobi County is one of the forty-seven counties in Kenya, bordering Kiambu, Machakos and Kajiado counties.

Nairobi County is the capital and the largest city of Kenya, as well as one of the 47 counties of the country. Located in the southern part of Kenya, Nairobi is not only the political and administrative center of the nation but also a vibrant and dynamic economic, cultural, and educational hub. Nairobi County is situated in the southeastern part of Kenya and occupies an area of approximately 696 square kilometers. It lies on the eastern edge of the Great Rift Valley, with an elevation of about 1,795 meters (5,889 feet) above sea level. The city is surrounded by several hills, including Ngong Hills to the southwest and the Aberdare Range to the north. The city's geographical location has a temperate climate, making it a comfortable place to live (Kenya National Bureau of Statistics (KNBS), 2019).

Nairobi is Kenya's economic powerhouse and serves as the financial, commercial, and industrial center of the country. The city hosts the Nairobi Securities Exchange, several multinational corporations, and numerous financial institutions. It is a major player in the African economy, with a growing tech and innovation sector. The city has attracted significant foreign investment and is home to a thriving business community. Nairobi is known for its rich cultural diversity, with a blend of indigenous African, colonial, and contemporary influences. The city is a melting pot of ethnicities and cultures, with people from various Kenyan tribes and expatriates from around the world living and working here. This cultural diversity is reflected in Nairobi's vibrant music, art, cuisine, and festivals. The city has a well-developed infrastructure, with a network of roads, highways, and modern facilities. Jomo Kenyatta International Airport, one of the busiest in Africa, is situated in Nairobi. The city's public transportation system includes buses and a commuter rail system, which helps residents and visitors navigate the urban area (Kenya National Bureau of Statistics (KNBS), 2019).

3.3 Empirical Model

Multiple regression model was adopted because it allows simultaneous investigation of the influence of independent variable on the dependent variable (Miles & Huberman, 2014). The multiple regression model was used to determine the combined influence of all the independent variables on the dependent variable as advocated by (Ellram, 2016).

The model establishes the connection between audit committee characteristics and financial performance of deposit taking SACCOs in Nairobi County Kenya. Audit committee characteristics are measured in terms of audit committee gender composition, audit committee competence, audit committee leadership qualities and audit committee leadership styles. The dependent variable is financial performance of deposit taking SACCOs in Nairobi County Kenya which was measured by Return on Assets. These variables are moderated by organization culture. The equation representing the algebraic expression of the analytic model applied is as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon \dots \dots \dots \text{Model 1}$$

Where: **Y** = dependent variable, Financial Performance

β_0 is the constant, the intercept of the model

$\beta_1, \beta_2, \beta_3$ and β_4 = Regression coefficients

X_1 = Audit committee gender composition;

X_2 = Audit committee competence

X_3 = Audit committee leadership qualities;

X_4 = Audit committee leadership style

ϵ = Error term normally distributed about the mean of zero

To measure the moderating effect of organizational culture, the study will use hierarchical regression model;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X^*M + \epsilon \dots \dots \dots \text{Model 2}$$

X^*M is the interaction between audit committee characteristics and the moderating variable organizational culture.

β_5 is the coefficient of **X^*M** the interaction term

The study concluded that there is no moderating effect when the interaction term is insignificant or is zero, if not the study will conclude that there is moderating effect (Whisman & McClelland, 2005).

3.4 Operationalization and Measurement of Variables

Table 3.1: Operationalization of Study Variables

<i>Variable</i>	<i>Type</i>	<i>Operationalization</i>	<i>Operational definition of variable</i>	<i>Measurement</i>	<i>Hypothesized direction</i>
Financial performance	Dependent variable	<ul style="list-style-type: none"> • ROA 	It is the measure of how well a Sacco is generating value for its member's deposits and share capital	Questionnaire	Improve with improved audit committee characteristics
Audit committee Gender composition	Independent Variable	<ul style="list-style-type: none"> • Women representation • Women participation • Women position 	It refers to how a Sacco offers equal value propositions for male and female members.	Questionnaire	Positive influence on financial performance
Audit committee Competence	Independent Variable	<ul style="list-style-type: none"> • Financial competence • Accounting expertise • Industry expertise 	It is the ability to apply financial, accounting and market knowledge and skills to achieve intended audit committee responsibilities	Questionnaire	Positive influence on financial performance
Audit committee Leadership qualities	Independent Variable	<ul style="list-style-type: none"> • Goal progress • Team morale • Task completion 	It is personal qualities of audit committee members that define effective leaders	Questionnaire	Positive influence on financial performance
Audit committee Leadership style	Independent Variable	<ul style="list-style-type: none"> • Transformational • Transactional • Passive-Avoidant 	It is the audit leader's characteristic behaviors when directing, motivating, guiding, and managing the audit committee.	Questionnaire	Positive influence on financial performance
Organizational culture	Moderating Variable	<ul style="list-style-type: none"> • Organizational politics • Norms, value and belief • Disaster management 	It is the collection of values, expectations, and practices that guide and inform the actions of all team members	Questionnaire	Positive significant moderating effect

3.5 Target Population

Cooper and Schindler (2015) defines population as the total collection of elements on which the researcher wishes to make inferences. Population refers to the larger group from which a sample is taken (Orodho, 2017). The unit of analysis for this study was DT-SACCOs in Nairobi County Kenya while the unit of analysis comprised of 329 respondents comprising of 2 audit committee members, CEO, Internal Auditor, Finance Officer and 2 members in each of the 47 deposit-taking SACCOs forming a target population of 329 respondents.

3.6 Sampling Design

Sampling is a technique of selecting individual members or a subset of the population to make statistical inferences from them and estimate characteristics of the whole population (Creswell, 2014). This study used simple random sampling technique to select the 329 respondents from the target population

3.6.1 Sample Size

Sample size is the number of completed responses your survey receives. It's called a sample because it only represents part of the group of people (or target population) whose opinions or behavior you care about. Census studies are the most trusted and reliable route as all the population elements are part of the study (Creswell, 2014). Due to the small size of population, census was used. Therefore, the study carried out a census of all 47 deposit-taking SACCOs in Nairobi County Kenya. Mugenda and Mugenda (2013) recommends census study for the entire population in circumstances where the population is fairly small.

3.7 Data Collection Instruments

The researcher used questionnaires to elicit appropriate responses for the study. Sekaran and Bougie (2013) suggests that questionnaires are efficient data collection apparatus which provide the researcher to know exactly what is necessary and how to measure the variables of interest. The choice of this method of data collection is based on the fact that questionnaires are low cost even when the population is large; and they are free from the bias of the interviewer. When questionnaires are used, answers are in respondents' own words; respondents have adequate time to give well thought out answers; and respondents

who are not easily approachable can also be reached conveniently (Mugenda & Mugenda, 2013).

The questionnaire consisted of both open-ended and closed-ended questions. Closed-ended questions allow collection of more structured responses and thus facilitate descriptive and inferential data analysis. On the other hand, open-ended questions allowed the respondents to write their thoughts; anything they thought was not captured by the closed-ended questions. The questionnaire will be structured to capture data using a 5-point type Likert scale. The Likert scale has scales that assist in converting the qualitative responses into quantitative values (Upagade & Shende, 2018). The questionnaire was made up of six sections. Section A and B captured data on the independent variables (gender composition, competence, leadership qualities, and leadership style characteristics of the audit committee); Section C focused on the moderating variable (organization culture); while section D was the dependent variable (Financial performance).

3.8 Data Collection Procedures

The study used primary data collected using questionnaires. This study adopted the self-administered questionnaire approach. Self-administered questionnaires offer researchers the potential to reach a large number of potential respondents in a variety of locations (Cooper & Schindler, 2017). The collection of data was conducted by use of the drop-off and pick-up-later method and the questionnaires were collected after one week by the research assistants. This accorded the respondents enough time to answer the questions. The researcher used this method due to the variances in respondents' time availability and the geographical spread of the deposit-taking SACCOs within the city. The respondents were allowed one week to fill and return the questionnaires. After one week, the respondents wouldn't have filled the questionnaires, they were added three days to do so.

Before embarking on data collection, relevant approvals were obtained. Upon approval of the research project, an introductory letter from the University was sought. This letter was used to obtain the permit for research from the National Commission for Science, Technology, and Innovation (NACOSTI). The researcher also sought permission from management of Deposit Taking SACCOs for data collection. In addition, questionnaires were administered through a drop and pick later method. The respondents were given a

period of one week to fill-in the questionnaire after which they were collected. When dropping the questionnaires, the researcher informed the respondents the data was for academic purposes only.

3.8.1 Pilot Study

A pilot study was conducted to test the instrument's reliability, validity, and completeness of responses, and analyze the various measures within the instrument. The pilot study was done in Kiambu County among 5 SACCOs; this represented 10% of the target population. The study used 10% because Mugenda and Mugenda (2013) posits that a representative sample for a pilot test is one that represents between 1 and 10% of the study sample. The study selected SACCOs in Kiambu County because Kiambu County has similar characteristics with Nairobi County.

3.8.1.1 Reliability of Data Collection Instrument

Reliability is the consistency of a set of measurement items or the degree to which an instrument measures the same way each time it is used. It is the probability of the measurements (Tongco, 2009). A measure is considered reliable if a persons' score on the same test given twice is similar. The study used a test-retest method to test for reliability. According to Hair, et al. (2006) test-retest reliability measures the consistency of results when the same test is repeated on the same sample at a different point in time. To measure test-retest reliability the same test is conducted on the same group of people at two different points in time. Test-retest reliability coefficients (also called coefficients of stability) vary between 0 and 1, where 1 is perfect reliability, ≥ 0.9 : excellent reliability, $\geq 0.8 < 0.9$: good reliability, $\geq 0.7 < 0.8$: acceptable reliability, $\geq 0.6 < 0.7$: questionable reliability, $\geq 0.5 < 0.6$: poor reliability (Revelle & Condon, 2017)

3.8.1.2 Validity of Data Collection Instrument

Validity is defined as the extent to which the research findings accurately reflect the phenomenon under study (Mugenda & Mugenda, 2013). There are three basic approaches to the validity of tests and measures, namely, content validity, face validity, and construct validity (Bryman & Cramer, 2016). Content validity addresses how well the items developed to operationalize a construct provide an adequate and representative sample of all the items that might measure the construct of interest. Because there is no statistical test to determine

whether a measure adequately covers a content area or adequately represents a construct, content validity usually depends on the judgment of experts in the field (Apopa, 2018).

Donald and Pamela (2017) posit that content validity is determined by expert judgment. Face validity, also known as logical validity, is the extent to which a test is subjectively viewed as covering the concept it purports to measure. Construct validity is a judgment based on the accumulation of evidence from numerous studies using a specific measuring instrument. Evaluation of construct validity requires examining the relationship of the measure being evaluated with variables known to be related or theoretically related to the construct measured by the instrument (Apopa, 2018). In this study, validity was achieved through expert judgments of the research supervisors. The research supervisors indicated whether the items are relevant or not. The results of their responses were analyzed to establish the percentage representation using the content validity index. The content validity formula by Amin (2005) was used. The formula is; Content Validity Index = (No. of judges declaring item valid) / (Total No. of items).

3.9 Data Analysis and Presentation

The open-ended components of the questionnaires were coded and repeated themes (responses) or concepts recorded until saturation is reached (Jennings, 2005). Qualitative data was analyzed using content analysis and presented in prose form. Quantitative data collected was analyzed using SPSS version 26 where descriptive statistics techniques were computed. Pearson R correlation will be used to measure the strength and direction of linear relationship between variables. According to Wagana (2017), a correlation coefficient (r) has two characteristics, strength and direction. The strength of the relationship is indicated by how r tends toward 1, the maximum value possible. r is interpreted as follows; when $r = +1$ it means there is perfect positive correlation between the variables, when $r = 0$ it means there is no correlation between the variables, that is the variables are uncorrelated, when $r = -1$ it means there is perfect inverse correlation between the variables.

Multiple regression model was fitted to the data in order to determine how the independent variables (audit committee characteristics) influence the dependent variable (financial performance) of deposit taking SACCOs in Nairobi County Kenya. Multiple regression analysis was used in this study because it uses the independent variables in predicting the dependent variable. It is a statistical tool attempting to establish whether some variables can

be used together in predicting a particular variable (Mugenda & Mugenda, 2013). The model adopted was;

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2+ \beta_3X_3 +\beta_4X_4 +\epsilon.....1.1$$

Where:

Y = dependent variable, Financial Performance

β₀ is the constant, the intercept of the model

β₁, β₂, β₃ and **β₄** = Regression coefficients

X₁ = Audit committee gender composition;

X₂ = Audit committee competence

X₃ = Audit committee leadership qualities;

X₄ = Audit committee leadership style

ε is a random error

The study further used hierarchical multiple regression models to measure the moderating effect of organizational culture on the relationship between audit committee characteristics and performance of Deposit Taking SACCOs in Nairobi County Kenya. The model was;

$$Y = \beta_0 + \beta_1X_1+ \beta_2X_2+ \beta_3X_3+ \beta_4X_4+ \beta_5X*M + \epsilon$$

Where **X*M** is the interaction between audit committee characteristics and the moderating variable organizational culture

β₅ is the coefficient of **X*M** the interaction term

3.9.1 Diagnostic Tests

When the assumptions of the linear regression models are correct, ordinary least square (OLS) provides efficient and unbiased estimates of the parameters (Long & Ervin, 2015). Independent variables were subjected to the following tests: linearity, multicollinearity, normality, homoscedasticity before regression analysis was conducted.

3.9.1.1 Linearity Test

One of the necessary OLS condition to be met is linearity. It assumed that the relationship between independent and dependent variables is linear. Thus, linearity is acknowledged as

the degree to which the dependent variable changes as a result of a change in the predictor variables (Hair *et al.*, 2010). Scatterplots will be used to assess linearity between independent and dependent variables in the study.

3.9.1.2 Multicollinearity Test

Multicollinearity was addressed using the Variance Inflation Factor (VIF) on the variance of the estimators. This is expressed as $VIF = 1/(1-R^2)$. The general rule is that values greater than ten suggest presence of multicollinearity (Chatterjee & Hadi, 2006). If multicollinearity is detected, the remedy will be to collect more data or drop off some of the correlated variables. The key limitation of multicollinearity is that it can yield to unstable regression coefficients characterized by large standard errors and high variances, which can then lead to inaccurate statistical inferences (Bergmann & Hohenboken, 2015).

3.9.1.3 Normality Test

To test for normality assumptions, the study adopted the improved Shapiro-Wilk test. The improved Shapiro-Wilk test is a test for normality in regression studies which is normally preferred because of its superb power properties (Mendes & Pala, 2016). The test basically yields a value W which lies between zero and one. A value of one indicates normality whereas weak values indicate a departure of normality (Nornadiah & Yap, 2017). This study in principle, sticks to this stated convention of interpreting normality.

3.9.1.4 Homoscedasticity

Heteroscedasticity in a study usually happens when the variance of the errors varies across observation, (Long & Ervin, 2015). Breusch-Pagan and Koenker test was used to test the null hypothesis that the error variances are all equal versus the alternative that the error variances are a multiplicative function of one or more variables. Therefore, if significance value is less than 0.05, we reject the null hypothesis. A large chi-square value greater than 9.22 would indicate the presence of heteroscedasticity (Sazali, Haslida, Jegak & Raduan, 2019).

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA

4.1 Introduction

This chapter covers data analysis, results interpretation, presentation and discussion of the findings based on the general and specific objectives of the study. The chapter covers response rate, pilot test results, demographic information and descriptive statistics. The chapter also encompasses inferential statistics which include correlation analysis and regression analysis. The general objective of the study was to evaluate the influence of audit committee characteristics on financial performance of deposit taking SACCOs in Nairobi County Kenya.

4.2 Response Rate

The researcher sampled 329 respondents who were each administered with the questionnaires. From the 329 questionnaires 255 were completely filled and returned hence a response rate of 77.5%. The response rate was considered as suitable for making inferences from the data collected. As indicated by Metsamuuronen (2017), a response rate that is above fifty percent is considered adequate for data analysis and reporting while a response rate that is above 70% is classified as excellent. Hence, the response rate of this study was within the acceptable limits for drawing conclusions and making recommendations.

4.3 Demographic Information

The demographic information of the respondents consisted of Length of Time Being a SACCO Member, Membership in the SACCO Audit Committee, Employee of the SACCO, Respondents Position in the SACCO, Gender of the Respondents and Respondents Age Bracket. The results were presented through use of figures

4.3.1 Length of Time Being a Sacco Member

The respondents were requested to indicate the duration of time they had been members of their SACCO. Table 4.1 shows the results. From the results, 43.2% of the respondents had been members of their SACCO for 5-8years, 24.6% of the respondents indicated less than 5 years, 18% of the respondents indicated 9-11 years while 14.2% of the respondents indicated

above 11 years. This implies that most of the respondents had been in their SACCO long enough to provide the needed information.

Table 4. 1: Length of Time Being a Sacco Member

Years	Frequency	Percent
Less than 5 years	63	24.6
5-8 Years	110	43.2
9-11 years	46	18
Above 11 years	36	14.2
Total	255	100

Source: Research Data (2023)

4.3.2 Membership in the SACCO audit Committee

The respondents were further requested to indicate whether they are members of the SACCO audit committee. Table 4.2 shows the results. From the results, 77.2% of the respondents were not members of the audit committee while 22.8% of the respondents were members. This implies that majority of the respondents were not members of the audit committee

Table 4. 2: Membership in the SACCO audit Committee

Membership Status	Frequency	Percent
Yes	58	22.8
No	197	77.2
Total	255	100

Source: Research Data (2023)

4.3.3 Employee of the SACCO

The respondents were further requested to indicate whether they are employees of the SACCO. The results are as shown in Table 4.3. From the results, 88.4% of the respondents were not employees of the SACCO while 11.6% of the respondents were employees. This implies that most of the respondents were not employees of the SACCO

Table 4. 3: Employee of the SACCO

Employee of the SACCO	Frequency	Percent
Yes	30	11.6
No	225	88.4
Total	255	100

Source: Research Data (2023)

4.3.4 Respondents Position in the SACCO

The respondents were further requested to indicate their position in the SACCO. The results were as shown in Table 4.4. From the results, 88.4% of the respondents were ordinary members, 2.5% were Audit Manager, 2% of the respondents were Business Development Manager, 2% of the respondents were Credit Manager, 2% of the respondents were Internal Auditor, 1.6% were Finance Manager while 1.6% of the respondents were internal Audit Manager.

Table 4. 4: Respondents Position in the SACCO

Position	Frequency	Percent
Audit Manager	7	2.5
Business Development Manager	5	2
Credit Manager	5	2
Finance Manager	4	1.6
Internal Audit Manager	4	1.6
Internal Auditor	5	2
Ordinary Members	225	88.4
Total	255	100

Source: Research Data (2023)

4.3.5 Gender of the Respondents

The respondents were requested to indicate their gender. The results are as shown in Table 4.5. From the results, 51.8% of the respondents were male while 48.2% of the respondents were female. This implies that most of the respondents were male.

Table 4. 5: Gender of the Respondents

Gender	Frequency	Percent
Male	132	51.8
Female	123	48.2
Total	255	100

Source: Research Data (2023)

4.3.6 Respondents Age

The respondents were further requested to indicate their age. The results were as shown in Table 4.6. From the results, 33.7% of the respondents were aged between 40-49 years, 28.1% of the respondents indicated 30-39 years, 20.1% of the respondents were aged between 20-29 years while 18.1% of the respondents indicated 50 years and above. This implies that the majority of the respondents were aged between 40-49 years.

Table 4. 6: Respondents Age

Age Bracket	Frequency	Percent
20-29	51	20.1
30-39	72	28.1
40-49	86	33.7
50 years and Above	46	18.1
Total	255	100

Source: Research Data (2023)

4.4 Descriptive Statistics Analysis

This section presents findings on Likert scale questions where respondents were asked to indicate their level of agreement with various statements that relate with the influence of audit committee characteristics on financial performance of deposit taking SACCOs in Nairobi County Kenya. They used a 5-point Likert scale where 1-strongly disagree, 2-disagree, 3-Neutral, 4-agree, 5-strongly agree. The means and standard deviations were used to interpret the findings where a mean value of 1-1.4 was strongly disagree, 1.5-2.4 disagree, 2.5-3.4 neutral, 3.5-4.4 agree and 4.5-5 strongly agree. Standard deviations greater than 1 implied great deviation in data points from the mean. This section of the study also presented findings from open-ended-questions which were presented in prose form.

4.4.1 Audit Committee Gender Composition and Financial Performance

The first specific objective of the study was to determine the influence of audit committee gender composition on financial performance of deposit taking SACCOs in Nairobi County, Kenya. The respondents were required to indicate their level of agreement on statements relating to audit committee gender composition and financial performance of deposit taking SACCOs in Nairobi County, Kenya. A 5 point Likert scale was used where 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 =strongly agree. The results were as presented in Table 4.7.

With a mean of 3.351 (std. dv = 0.710), the respondents were neutral (undecided) on the statement indicating that their audit committee allowed women to air their views and opinions in meetings. The respondents' undecidedness might be due to lack of information. Further, the respondents were neutral (undecided) on the statement indicating that women in their audit committee attended planned audit committee meetings without fail. This is shown by a mean of 3.035 (std. dv = 0.835).

With a mean of 3.035 (std. dv = 0.835), the respondents were neutral (undecided) on the statement indicating that women in their audit committee participate actively in audit committee meetings. Further, with a mean of 3.145 (std. dv = 0.918), the respondents disagreed with the statement indicating that their audit committee has members of different gender. However, the respondents disagreed that their audit committee has different office tenure for women. This is shown by a mean of 2.241 (std. dv = 0.618).

On the overall, the respondents agreed that inclusion of women in audit committees has a positive effect on Sacco financial performance. This is supported by a mean of 4.346 (std. dv = 0.851). This finding is consistent with the findings of Chijoke-Mgbame, Agyenim Chijoke, and Mgbame (2020) who indicated that the inclusion of females on the audit committee appeared to have a positive impact on firm financial performance. The finding is further concurs with the findings of Thiruvadi and Huang, (2017) who indicated that there is a very strong relationship between audit committee gender composition and financial performance

Table 4. 7: Audit Committee Gender Composition and Financial Performance

	Mean	Std. Deviation
Our audit committee has members of different gender	3.145	0.918
Our audit committee has different office tenure for women	2.241	0.618
Women in our audit committee participate actively in audit committee meetings	3.035	0.835
Women in our audit committee attend planned audit committee meetings without fail	3.035	0.835
Our audit committee allows women to air their views and opinions in meetings	3.351	0.710
Inclusion of women in audit committees has positive effect on Sacco financial performance	4.346	0.851

Source: Research Data (2023)

The respondents were further requested to indicate how else audit committee gender composition influences financial performance of deposit taking SACCOs in Nairobi County, Kenya. The respondents revealed that female directors on the boards could both help improve the quality of decisions, and provide the board of directors with a boost in their ability to monitor corporate disclosure and reports. In addition, they indicated that establishment of clear and measurable goals for increasing gender diversity within the audit committee can improve performance. These goals should be aligned with the organization's commitment to diversity and inclusion.

The respondents also indicated that the SACCOs should actively recruit and select qualified women members to serve on the audit committee. Look for candidates with financial expertise, analytical skills, and a good understanding of the SACCO's operations. It was also established that improving the gender composition of the audit committee in the SACCO is not only a matter of diversity and inclusion but can also lead to improved financial performance through better governance, risk management, and decision-making. The respondents established that it is important to set clear goals and take proactive steps to achieve greater gender diversity within the audit committee while promoting the professional development of female leaders.

4.4.2 Audit Committee Competence and Financial Performance

The second specific objective of the study was to evaluate the influence of audit committee competence on financial performance of deposit taking SACCOs in Nairobi County, Kenya. The respondents were requested to indicate their level of agreement on the statements relating audit committee competence and financial performance of deposit taking SACCOs in Nairobi County, Kenya. The results were as shown in Table 4.8

From the results, as shown by a mean of 4.241 (std. dv = 0.728), the respondents agreed that their audit committee members have good professional standing. Further, the respondents agreed that their audit committee members have financial knowledge and training. This is shown by a mean of 4.125 (std. dv = 0.632). The respondents also agreed that their audit committee members have knowledge in auditing matters. This is shown by a mean of 4.130 (std. dv = 0.579). With a mean of 4.015 (std. dv = 0.677), the respondents agreed that their audit committee members have experience in financial reporting. The respondents also agreed that their audit committee members have IT knowledge. This is shown by a mean of 3.231 (std. dv = 0.633).

Table 4. 8: Audit Committee Competence and Financial Performance

	Mean	Std. Deviation
Our audit committee members have financial knowledge and training	4.125	0.632
Our audit committee members have IT knowledge	3.231	0.633
Our audit committee members have knowledge in auditing matters	4.130	0.579
Our audit committee members have experience in financial reporting	4.015	0.677
Our audit committee members have good professional standing	4.241	0.728
A competent, experienced and knowledgeable audit committee has a positive effect on Sacco financial performance	4.894	0.708

Source: Research Data (2023)

On the overall, the respondents strongly agreed that a competent, experienced and knowledgeable audit committee has a positive effect on Sacco financial performance. This is supported by a mean of 4.894 (std. dv = 0.708). This finding is consistent with the finding by Gul et al., 2017 who found that the presence of experienced members with different ideas can help the audit committee with a wide range of accounting issues, thereby leading to the

reduction of fraud opportunity and financial misstatements. This is further supported by Agung (2017) study that found that professional accountants are effective in evaluating a firm's compliance with accounting standards and treatments and that member's background in terms of education and experience influenced their focus in the committee's activities. In addition, Amare (2016) findings indicated that the competence of the audit committee enhanced the internal audit effectiveness. The findings also conform to the findings of Brammer et al., (2017) that there is a very strong relationship between audit committee competence and financial performance.

Further, the respondents were further requested to indicate how else audit committee competence influences financial performance of deposit taking SACCOs in Nairobi County, Kenya. The study revealed that the audit committee should have at least one member with finance and accounting competence in order to ensure improved profits as well as financial statements. In addition, the respondents revealed that the higher the audit committee's level of competence, the more qualitative the financial reporting provided. The respondents also suggested that it is wise to include members in audit committee who have expertise and knowledge in accounting and auditing because most of the responsibilities of the committee are related to these areas

4.4.3 Audit Committee Leadership Qualities and Financial Performance

The third specific objective of the study was to assess the influence of audit committee leadership qualities on financial performance of deposit taking SACCOs in Nairobi County, Kenya. The respondents were requested to indicate their level of agreement on various statements relating to audit committee leadership qualities and financial performance of deposit taking SACCOs in Nairobi County, Kenya. A 5 point Likert scale was used where 1 =strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree. The results were as presented in Table 4.9.

From the results, the respondents agreed that their audit committee members work as a team. This is supported by a mean of 4.562 (std. dv = 0.492). In addition, as shown by a mean of 4.547 (std. dv = 0.497), the respondents agreed that their audit committee members are task oriented. The respondents also agreed that their internal audit prepares annual audit work plans as shown by a mean of 4.567 (std. dv = 0.496) and also agreed that their audit committee tracks implementation of the internal audit work plans. This is shown by a mean

of 4.110 (std. dv = 0.314). With a mean of 4.452 (std. dv = 0.498), the respondents agreed that their audit committee carries out annual self-assessment. The respondents also agreed that in their audit committee members have high morale. This is shown by a mean of 4.432 (std. dv = 0.497).

The respondents agreed that their audit committee ensures planned tasks are completed. This is supported by a mean of 4.462 (std. dv = 0.499). The respondents also agreed that their internal audit has an internal audit charter with a mean of 4.326 (std. dv = 0.470). The respondents further agreed that their audit committee tracks implementation of the internal audit charter. This is supported by a mean of 4.110 (std. dv = 0.314). The respondents also agreed that their audit committee has an audit committee charter. This is shown by a mean of 4.326 (std. dv = 0.470). In addition, as shown by a mean of 4.000 (std. dv = 0.471), the respondents agreed that their audit committee tracks implementation of the audit committee charter. With a mean of 4.331 (std. dv = 0.472), the respondents agreed that the audit committee annually evaluates the internal audit function. Further, the respondents agreed that their audit committee members are goal oriented. This is shown by a mean of 3.783 (std. dv = 0.412).

Further, the respondents agreed that the chairman of their committee has good leadership qualities. This is shown by a mean of 4.562 (std. dv = 0.497). On the overall, the respondents agreed that audit committee leadership qualities have a positive effect on Sacco financial performance with a mean of 4.326 and standard deviation of 0.470. This is consistent with the finding of Fontaine et al. 2016 who found that strong leadership qualities are imperative to running any audit team. The finding also agrees with Wang and Zhou (2016) who identified leadership as a key component of corporate governance. In addition, this study agrees with Ghafran & Yasmin, 2018 and Griffin, (2018) who found that the audit committee chairperson needs strong leadership qualities and must encourage teamwork. Further the findings concur with the findings of Bedard, Chtourou and Courteau (2018) that there is a very strong relationship between audit committee leadership qualities and financial performance.

Table 4. 9: Audit Committee Leadership Qualities and Financial Performance

	Mean	Std. Deviation
Our audit committee members are goal oriented	3.783	0.412
Our audit committee has an audit committee charter	4.326	0.470
Our audit committee tracks implementation of the audit committee charter	4.000	0.471
Our internal audit has an internal audit charter	4.326	0.470
Our audit committee tracks implementation of the internal audit charter	4.110	0.314
Our internal audit prepares annual audit work plans	4.567	0.496
Our audit committee tracks implementation of the internal audit work plans	4.110	0.314
Our audit committee carries out annual self-assessment	4.452	0.498
Our audit committee annually evaluates the internal audit function	4.331	0.472
The chairman of our committee has good leadership qualities	4.562	0.497
Our audit committee members have high morale	4.432	0.497
Our audit committee members work as a team	4.562	0.492
Our audit committee members are task oriented	4.547	0.497
Our audit committee ensures planned tasks are completed	4.462	0.499
Audit committee leadership qualities have a positive effect on Sacco financial performance	4.326	0.470

Source: Research Data (2023)

4.4.4 Audit Committee Leadership Style and Financial Performance

The fourth specific objective of the study was to establish the influence of the audit committee leadership style on financial performance of deposit taking SACCOs in Nairobi County, Kenya. The respondents were requested to indicate their level of agreement on various statements relating to audit committee leadership style and financial performance of deposit taking SACCOs in Nairobi County, Kenya. A 5 point Likert scale was used where 1 = strongly disagree, 2 = disagree, 3 =neutral, 4 = agree and 5 = strongly agree. The results were as presented in Table 4.10.

From the results, the respondents agreed that the chairman audit committee motivates members by instituting goals and clarifying task requirements. This is supported by a mean of 4.326 (std. dv = 0.658). In addition, as shown by a mean of 4.351 (std. dv = 0.478), the respondents agreed that their audit committee provides directions on audit recommendations. Further, the respondents agreed that their audit committee inspires the collective interest of

the Sacco and its members to achieve outcomes. This is shown by a mean of 4.341 (std. dv = 0.661).

The respondents also agreed with a mean of 4.326 (std. dv = 0.470) that their audit committee is indifferent to internal audit function. From the results, the respondents agreed that their audit committee gives specific and precise instructions for audit tasks and assignments. This is supported by a mean of 4.221 (std. dv = 0.416). In addition, as shown by a mean of 4.125 (std. dv = 0.744), the respondents agreed that their audit committee is transformational. However, the respondents strongly disagreed that their audit committee employees a "do nothing" style of leadership. This is shown by a mean of 1.346 (std. dv = 0.477). On the overall, the audit committee leadership style has a positive effect on Sacco financial performance. This is shown by a mean of 4.332 (std. dv = 0.496). These findings agree with the results of Al-Hadrami, Rafiki and Sarea, (2020) who revealed that there is a very strong relationship between audit committee leadership style and financial performance. Further the findings agree with the findings of Essen et al. (2017) who concluded that leadership styles lead to an effective audit committee.

Table 4. 10: Audit Committee Leadership Style and Financial Performance

	Mean	Std. Deviation
Our audit committee is transformational	4.125	0.744
Our audit committee inspires the collective interest of the Sacco and its members to achieve outcomes	4.341	0.661
Our audit committee provides directions on audit recommendations	4.351	0.478
The chairman audit committee motivates members by instituting goals and clarifying task requirements	4.326	0.658
Our audit committee gives specific and precise instructions for audit tasks and assignments	4.221	0.416
Our audit committee is indifferent to internal audit function	4.326	0.470
Our audit committee employees a "do nothing" style of leadership	1.346	0.477
Audit committee leadership style has a positive effect on Sacco financial performance	4.332	0.496

Source: Research Data (2023)

In addition, the respondents were further requested to indicate how else Audit Committee Leadership Style influences financial performance. The respondents revealed that the effectiveness of a leadership style may vary depending on the specific context, organizational culture, and the personalities of committee members and leaders. The ideal leadership style for a SACCO's audit committee should be tailored to the SACCO's unique circumstances and the desired financial outcomes. Additionally, a combination of leadership styles or adaptability in leadership style may be necessary to address different situations and challenges that arise in the SACCO's operations.

4.4.5 Organizational Culture and Financial Performance

The fifth objective of the study was to establish the moderating effect of organizational culture on the relationship between audit committee characteristics and financial performance of Deposit Taking SACCOs in Nairobi County Kenya. The respondents were requested to indicate their level of agreement on various statements relating to organizational culture and financial performance of deposit taking SACCOs in Nairobi County, Kenya. The results were as presented in Table 4.11.

From the results, the respondents strongly agreed that Sacco encourages employees to air their concerns and recommendations. This is supported by a mean of 4.663 (std. dv = 0.473). In addition, as shown by a mean of 4.452 (std. dv = 0.498), the respondents agreed that their Sacco develops its employees human capability at all levels. Further, the respondents agreed that organization culture has a positive effect on Sacco financial performance. This is shown by a mean of 4.347 (std. dv = 0.475).

The respondents also agreed that Sacco has a robust disaster management policy. This is shown by a mean of 4.331 (std. dv = 0.472). With a mean of 4.110 (std. dv = 0.557), the respondents agreed that their Sacco places much value on working cooperatively towards the common goals of the organization. From the results, the respondents agreed that their Sacco grants the auditing committee greater autonomy and involve them in decision making. This is supported by a mean of 4.221 (std. dv = 0.416). In addition, as shown by a mean of 4.291 (std. dv = 0.982), the respondents agreed that the cultural policy has been communicated to all employees.

From the results, the respondents agreed that their Sacco has a cultural policy. This is supported by a mean of 4.206 (std. dv = 0.645). In addition, as shown by a mean of 4.231

(std. dv = 0.422), the respondents agreed that their Sacco norms encourage cooperation, teamwork and participation. Further, the respondents agreed that their Sacco has clarity and continuity with respect to mission statement and vision. This is shown by a mean of 4.115 (std. dv = 0.320). The respondents agreed that their Sacco has some strong positive attributes that encourage transparency. This is supported by a mean of 4.000 (std. dv = 0.500).

Table 4. 11: Organizational Culture and Financial Performance

	Mean	Std. Deviation
Our Sacco has a cultural policy	4.206	0.645
The cultural policy has been communicated to all employees	4.291	0.982
Our Sacco has clarity and continuity with respect to mission statement and vision	4.115	0.320
Our Sacco develops its employees human capability at all levels	4.452	0.498
Our Sacco has some strong positive attributes that encourage transparency	4.000	0.500
Our Sacco encourages employees to air their concerns and recommendations	4.663	0.473
Our Sacco norms encourage cooperation, teamwork and participation	4.231	0.422
Our Sacco grants auditing committee greater autonomy and involves them in decision making	4.221	0.416
Our Sacco places much value on working cooperatively towards the common goals of the organization	4.110	0.557
Our Sacco has a robust disaster management policy	4.331	0.472
Organization culture has a positive effect on Sacco financial performance	4.347	0.475

Source: Research Data (2023)

4.4.5 Financial Performance

The financial performance of Deposit Taking SACCOs in Nairobi County Kenya was measured through total comprehensive income and total assets.

Total Comprehensive Income

The respondents were requested to indicate the total comprehensive income for their SACCO for the period between 2015 and 2022. The total comprehensive income was measured in billions. The results were as shown in Table 4.12. From the results, total comprehensive income in the year 2015 was 26B, in 2016, the income increased to 30B, the total comprehensive income increased to 35B in the year 2017, before reducing to 32B and

increasing to 43B in the 2018 and 2019 respectively. The total comprehensive income in the year 2020 increased to 47B, in the year 2021, the total comprehensive income increased to 50B before increasing to 56B in the year 2022.

Table 4. 12: Total Comprehensive Income

Year	2015	2016	2017	2018	2019	2020	2021	2022
T.C. Income (Billions)	26	30	35	32	43	47	50	56

Source: Research Data (2023)

Total Assets

The respondents were requested to indicate the total assets for their SACCO for the period between 2015 and 2022. The results were as shown in Table 4.13. From the results, the total assets in the year 2015 was 208B, in 2016, the total assets increased to 236B, the total assets increased to 266B in the years 2017, before increasing to 296B and 331B in the 2018 and 2019 respectively. The total assets in the year 2020 increased to 369B, in the year 2021, the total assets increased to 396B before increasing to 444B in the year 2022.

Table 4. 13: Total Assets

Year	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets (Billions)	208	236	266	296	331	369	396	444

Source: Research Data (2023)

4.5 Diagnostic Tests

This study conducted linearity test, multicollinearity test, normality test and homoscedasticity test before regression analysis was conducted. In case of violation of the regression assumptions, the confidence intervals as well as other scientific insights derived from the regression model may be regarded as misleading, biased or inefficient and therefore the inferences derived are incapable of being generalizable on other data.

4.5.1 Linearity Test

When the value of sig. deviation from the linearity > 0.05 , then in the multiple regression model it can be said that the predictor variables have significant effect on the response variable. If the value is sig. deviation from linearity is < 0.05 , then the relationship between the predictors and the response variable is said to be partially significant. In the SPSS output display (Table 4.14), the sig. value of audit committee gender composition = 0.649; audit committee competence = 0.538; audit committee leadership qualities = 0.554; audit committee leadership style = 0.681 and organization culture = 0.566. It can therefore be concluded that there is a significant linear relationship between audit committee gender composition, audit committee competence, audit committee leadership qualities and audit committee leadership style with financial performance. Thus, increasing the effect of the predictors improves the response variable.

Table 4. 14: Coefficients of Linearity Test

Model	Sig.	95.0% Confidence Interval for B		Tolerance
		Lower Bound	Upper Bound	
audit committee gender composition	.649	-13.608	11.411	.560
audit committee competence	.538	-19.721	23.732	.189
audit committee leadership qualities	.554	-21.089	18.518	.172
audit committee leadership style	.681	-10.179	11.121	.623
organization culture	.566	-39.618	45.182	.281

Source: Research Data (2023)

4.5.2 Multicollinearity Test

Multicollinearity is used to determine the probability that any two or more independent variables in a particular multivariate regression model are highly or significantly correlated. This would mean that one variable can be predicted from the other. In case the correlations among the independent variables are quite strong, the standard error of the coefficients tends to increase thus leading to reduced precision of the estimate coefficients, thus weakening the statistical power of the regression model. The study adopted the Variance Inflation Factor (VIF) to examine the level of correlation among the variables. The general principle is that a VIF greater than ten (10) indicates multicollinearity. The Variance Inflation Factors for the different independent variables, as depicted in Table 4.15, indicates that there was no multicollinearity among the independent variables given the VIF values for each of the

independent variables was below seven. Audit committee gender composition had a VIF of 1.660, audit committee competence had a VIF of 3.114, audit committee leadership qualities had a VIF of 2.863, and audit committee leadership style had a VIF of 1.091. All the variables had a VIF of less than 10. This means that the predictive power of each of the independent variables on the dependent variable would not be affected or reduced by the other independent variables. This is because the presence of multicollinearity reduces the statistical significance of the independent variables.

Table 4. 15: Multicollinearity Test

	Tolerance	VIF
audit committee gender composition	.603	1.660
audit committee competence	.321	3.114
audit committee leadership qualities	.349	2.863
audit committee leadership style	.916	1.091

Source: Research Data (2023)

4.5.3 Normality Test

The Shapiro-Wilk test is used to test the normality of data. The null hypothesis in the Shapiro-Wilk test indicates that variable data is obtained from a normally distributed population. Therefore, the p-value should be greater than the significant level of 0.05 for data to be normally distributed. Nonetheless, for large samples of above 200, the normality assumption is overruled by the Central Limit Theorem which stipulates that the distribution of disturbance term will approximate normality for sample sizes above 200. Therefore, given the sample size for the study was 258 respondents, and thus sufficiently large, the normality assumption is not required.

4.5.4 Homoscedasticity Test

Violation of homoscedasticity tends to inhibit critical evaluation of forecast errors of standard deviation, which often leads to confidence intervals that are extremely narrow or extremely wide. Homoscedasticity in this study was assessed using the Breusch-Pagan test. The null hypothesis for this test was that the error variances were equal and were a multiple function of variables. Homoscedasticity normally occurs when the chi-square value is greater than the significance level (0.05). As indicated in Table 4.16, the chi-square value was 0.3274, which was greater than the significance level of 0.05. This implies that there was homoscedasticity in the regression model.

Table 4. 16: Breusch-Pagan test for Homoscedasticity

Ho: Constant variance	
Variables: Fitted with values of Financial performance	
Chi2 (1)	0.96
Prob>chi2	0.3274

Source: Research Data (2023)

4.6 Inferential Statistics

Inferential statistics in the current study focused on correlation and regression analysis. Correlation analysis was used to determine the strength of the relationship while regression analysis was used to determine the relationship between dependent variable (financial performance of deposit taking SACCOs in Nairobi County, Kenya) and independent variables (audit committee gender composition, audit committee competence, audit committee leadership qualities and audit committee leadership style).

4.6.1 Correlation Analysis

The present study used Pearson correlation analysis to determine the strength of association between independent variables (audit committee gender composition, audit committee competence, audit committee leadership qualities and audit committee leadership style) and the dependent variable (financial performance of deposit taking SACCOs in Nairobi County, Kenya) dependent variable. Pearson correlation coefficient range between zero and one, whereby the strength of association increases with increase in the value of the correlation coefficients. The current study employed Taylor (2018) correlation coefficient ratings whereby 0.80 to 1.00 depicts a very strong relationship, 0.60 to 0.79 depicts strong, 0.40 to 0.59 depicts moderate, 0.20 to 0.39 depicts weak.

Table 4. 17: Correlation Coefficients

		Financial Performanc e	Gender Compositio n	Audit Committee Competenc e	Leadershi p Qualities	Leadershi p Style
Financial Performanc e	Pearson Correlatio n		1			
	Sig. (2- tailed)					
	N	199				
Gender Compositio n	Pearson Correlatio n	.880**	1			
	Sig. (2- tailed)	.001				
	N	199	199			
Audit Committee Competenc e	Pearson Correlatio n	.842**	.279	1		
	Sig. (2- tailed)	.002	.061			
	N	199	199	199		
Leadership Qualities	Pearson Correlatio n	.861**	.162	.193	1	
	Sig. (2- tailed)	.001	.079	.084		
	N	199	199	199	199	
Leadership Style	Pearson Correlatio n	.910**	.175	.179	.269	1
	Sig. (2- tailed)	.000	.078	.081	.074	
	N	199	199	199	199	199

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Research Data (2023)

From the results, there was a very strong relationship between the audit committee gender composition and financial performance of deposit taking SACCOs in Nairobi County, Kenya ($r = 0.880$, p value $=0.001$). The relationship was significant since the p value 0.001 was less than 0.05 (significant level). The findings are in line with the findings of Thiruvadi and Huang, (2017) who indicated that there is a very strong relationship between audit committee gender composition and financial performance.

Moreover, the results revealed that there is a very strong relationship between audit committee competence and financial performance of deposit taking SACCOs in Nairobi County, Kenya ($r = 0.842$, p value $=0.002$). The relationship was significant since the p value 0.002 was less than 0.05 (significant level). The findings conform to the findings of Brammer et al., (2017) that there is a very strong relationship between audit committee competence and financial performance.

Further, the results revealed that there is a very strong relationship between audit committee leadership qualities and financial performance of deposit taking SACCOs in Nairobi County, Kenya ($r = 0.861$, p value $=0.001$). The relationship was significant since the p value 0.001 was less than 0.05 (significant level). The findings are in line with the findings of Bedard, Chtourou and Courteau (2018) that there is a very strong relationship between audit committee leadership qualities and financial performance

The results also revealed that there was a very strong relationship between audit committee leadership style and financial performance of deposit taking SACCOs in Nairobi County, Kenya ($r = 0.910$, p value $=0.000$). The relationship was significant since the p value 0.000 was less than 0.05 (significant level). The findings are in line with the results of Al-Hadrami, Rafiki and Sarea, (2020) who revealed that there is a very strong relationship between audit committee leadership style and financial performance

4.6.2 Regression Analysis

Multivariate regression analysis was used to assess the relationship between independent variables (audit committee gender composition, audit committee competence, audit committee leadership qualities and audit committee leadership style) and the dependent variable (financial performance of deposit taking SACCOs in Nairobi County, Kenya)

Table 4. 18: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.934	.872	.873	.10120

a. Predictors: (Constant), audit committee gender composition, audit committee competence, audit committee leadership qualities and audit committee leadership style

Source: Research Data (2023)

The model summary was used to explain the variation in the dependent variable that could be explained by the independent variables. The r-squared for the relationship between the independent variables and the dependent variable was 0.872. This implied that 87.2% of the variation in the dependent variable (financial performance of deposit taking SACCOs in Nairobi County, Kenya) could be explained by independent variables (audit committee gender composition, audit committee competence, audit committee leadership qualities and audit committee leadership style).

Table 4. 19: Analysis of Variance

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	8.027	4	2.007	59.03	.000 ^b
1 Residual	6.568	194	.034		
Total	14.595	198			

a. Dependent Variable: financial performance of deposit taking SACCOs

b. Predictors: (Constant), audit committee gender composition, audit committee competence, audit committee leadership qualities and audit committee leadership style

Source: Research Data (2023)

The ANOVA was used to determine whether the model was a good fit for the data. F calculated was 59.029 while the F critical was 2.418. The p value was 0.000. Since the F-calculated was greater than the F-critical and the p value 0.000 was less than 0.05, the model was considered as a good fit for the data. Therefore, the model can be used to predict the influence of audit committee gender composition, audit committee competence, audit committee leadership qualities and audit committee leadership style on financial performance of deposit taking SACCOs in Nairobi County, Kenya.

Table 4. 20: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
	B	Std. Error			
1 (Constant)	0.205	0.038		5.395	0.000
Audit Committee Gender Composition	0.369	0.099	0.367	3.727	0.004
Audit Committee Competence	0.486	0.107	0.487	4.542	0.001
Audit Committee Leadership Qualities	0.379	0.104	0.380	3.644	0.003
Audit Committee Leadership Style	0.430	0.091	0.431	4.725	0.000

a Dependent Variable: financial performance of deposit taking SACCOs

Source: Research Data (2023)

The regression model was as follows:

$$Y = 0.205 + 0.369X_1 + 0.486X_2 + 0.379X_3 + 0.430X_4 + \varepsilon$$

According to the results, audit committee gender composition has a significant effect on the financial performance of deposit taking SACCOs in Nairobi County, Kenya ($\beta_1=0.369$, p value= 0.004). The relationship was considered significant since the p value 0.004 was less than the significant level of 0.05. The findings are in line with the findings of Thiruvadi and Huang, (2017) who indicated that there is a very strong relationship between audit committee gender composition and financial performance

The results also revealed that audit committee competence has a significant effect on financial performance of deposit taking SACCOs in Nairobi County, Kenya, ($\beta_1=0.486$, p value= 0.001). The relationship was considered significant since the p value 0.001 was less than the significant level of 0.05. The findings conform to the findings of Brammer *et al.*, (2017) that there is a very strong relationship between audit committee competence and financial performance

Furthermore, the results revealed that audit committee leadership qualities have a significant effect on financial performance of deposit taking SACCOs in Nairobi County, Kenya. ($\beta_1=0.379$, p value= 0.003). The relationship was considered significant since the p value 0.002 was less than the significant level of 0.05. The findings are in line with the findings of Bedard, Chtourou and Courteau (2018) that there is a very strong relationship between audit committee leadership qualities and financial performance

In addition, the results revealed that audit committee leadership style has a significant effect on the financial performance of deposit taking SACCOs in Nairobi County, Kenya ($\beta_1=0.430$, p value= 0.000). The relationship was considered significant since the p value 0.000 was less than the significant level of 0.05. The findings are in line with the results of Al-Hadrami, Rafiki and Sarea, (2020) who revealed that there is a very strong relationship between audit committee leadership style and financial performance.

4.6.3 Hypothesis Testing

The fifth objective of the study was to assess the moderating effect of organizational culture on the relationship between audit committee characteristics and financial performance of Deposit Taking SACCOs in Nairobi County Kenya. Moderation happens when the relationship between the dependent variable and the independent variables is dependent on a third variable (moderating variable). The effect that this variable has is termed as interaction as it affects the direction or strength of the relationship between the dependent and independent variable. To achieve the fifth research objective, the study computed moderating effect regression analysis. This (moderating effect regression analysis) also guided the study in testing the fifth research hypothesis. Organizational culture (M) was introduced as the moderating variable.

H_{05} : Organizational culture has no moderating effect on the relationship between audit committee characteristics and financial performance of Deposit Taking SACCOs in Nairobi County Kenya.

The study combined all the four variables (audit committee gender composition, audit committee competence, audit committee leadership qualities and audit committee leadership style) to form a new variable X. The study then used stepwise regression to establish the moderating effect of organization culture (M) on the relationship between independent variable (X) and financial performance of Deposit Taking SACCOs in Nairobi County Kenya (Y).

From the model summary findings in Table 4.21, the first model for which is the regression between audit committee characteristics (X) without moderator, organization culture (M) and interaction, the value of R-squared was 0.336 which suggests that 33.6% change in financial performance of deposit taking SACCOs in Nairobi County, Kenya can be explained by changes in audit committee characteristics. The p -value for the first model (0.000) was less

than the selected level of significance (0.05) suggesting that the model was significant. The findings in the second model which constituted audit committee characteristics, organization culture and financial performance of deposit taking SACCOs in Nairobi County, Kenya (X*M) as predictors, the r-squared was 0.568. This implies that the introduction of organization culture in the second model led to a 0.232 increase in r-squared, showing that organization culture positively moderates financial performance of deposit taking SACCOs in Nairobi County, Kenya.

Table 4. 21: Model Summary for Moderation Effect

Mode l	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.580 ^a	.336	.334	.65170	.336	386.860	1	197	.000
2	.754 ^b	.568	.564	.52727	.232	537.10	3	195	.000

a. Predictors: (Constant), audit committee characteristics

b. Predictors: (Constant), audit committee characteristics, Organization culture, Interaction (X*M)

Source: Research Data (2023)

From the model summary findings in Table 4.22, the F-calculated for the first model, was 580.29 and for the second model was 817.86. Since the F-calculated for the two models were more than the F-critical, 3.889 (first model) and 2.651 (second model), the two models were good fit for the data and hence they could be used in predicting the moderating effect of organization culture on financial performance of deposit taking SACCOs in Nairobi County, Kenya.

Table 4. 22: ANOVA for Moderation Effect

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	63.832	1	63.832	580.29	.000 ^b
	Residual	21.675	197	0.110		
	Total	85.507	198			
2	Regression	107.958	3	35.986	817.86	.000 ^c
	Residual	8.622	195	0.044		
	Total	116.58	198			

a. Dependent Variable: Financial Performance of Deposit Taking SACCOs

b. Predictors: (Constant), audit committee characteristics

c. Predictors: (Constant), audit committee characteristics, Organization culture, Interaction

Source: Research Data (2023)

Further, by substituting the beta values as well as the constant term from the coefficient's findings for the first step regression modelling, the following regression model will be fitted:

$$Y = 1.387 + 0.608 X$$

Where X is audit committee characteristics

The findings show that when audit committee characteristics are held to a constant zero, financial performance of deposit taking SACCOs in Nairobi County, Kenya will be at a constant value of 1.387. The findings also show that audit committee characteristics has a statistically significant effect on financial performance of deposit taking SACCOs in Nairobi County, Kenya as shown by a regression coefficient of 0.608 (p-value= .000).

By substituting the beta values as well as the constant term from model 2 emanating from the second step in regression modeling the following regression model was fitted:

$$Y = 3.876 + 0.220 X + 0.325 M + 0.283 X * M$$

Where X is audit committee characteristics; M is Organization culture and X*M is the interaction term between audit committee characteristics and Organization culture.

The findings show that when audit committee characteristics, Organization culture, interaction (X*M) are held to a constant zero, financial performance of deposit taking SACCOs in Nairobi County, Kenya will be at a constant value of 3.876. The model also indicated that audit committee characteristics had a positive and statistically significant effect on financial performance of deposit taking SACCOs in Nairobi County, Kenya as shown by a regression coefficient of 0.220 (p-value= 0.002). It is also seen that organization culture had a positive and significant effect on financial performance of deposit taking SACCOs in Nairobi County, Kenya as shown by a regression coefficient 0.325. On the other hand, interaction of audit committee characteristics and organization culture (X*M) also had a positive and significant effect on financial performance of deposit taking SACCOs in Nairobi County, Kenya as shown by a regression coefficient of 0.283 (p-value= 0.000).

It is therefore seen that the organization culture on its own has 22% effect on financial performance of deposit taking SACCOs in Nairobi County, Kenya. However, when interacted with audit committee characteristics, it has an effect of 28.3%. This is a clear indication that introduction of audit committee characteristics as moderating variable has a

positive influence on financial performance of deposit taking SACCOs in Nairobi County, Kenya. The study therefore rejects the null hypothesis and accepts the alternative that organization culture has a significant moderating effect on the relationship between audit committee characteristics and financial performance of deposit taking SACCOs in Nairobi County, Kenya.

Table 4. 23: Beta Coefficients for Moderation Effect

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
	B	Std. Error			
(Constant)	1.387	.194		7.163	.000
1 audit committee characteristics	.608	.050	.580	12.260	.000
(Constant)	3.876	1.009		3.841	.000
2 audit committee characteristics	.220	.067	.782	3.284	.002
Organization culture	.325	.048	.310	6.748	.000
Interaction (X*M)	.283	.065	1.661	4.357	.000

a. Dependent Variable: financial performance of deposit taking SACCOs

Source: Research Data (2023)

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The study focuses on the discussion of summary of the research findings, conclusion and recommendations. This study evaluated the influence of audit committee characteristics on financial performance of deposit taking SACCOs in Nairobi County Kenya.

5.2 Summary of Findings

5.2.1 Audit Committee Gender Composition and Financial Performance

The study found that audit committee gender composition has a positive and significant effect on financial performance of deposit taking SACCOs in Nairobi County, Kenya. From the results, the study observed that inclusion of women in audit committees has a positive effect on Sacco financial performance. In addition, findings revealed that the audit committee allows women to air their views and opinions in meetings. Further, the study revealed that women in their audit committee attend planned audit committee meetings without fail. Findings indicated that women in their audit committee participate actively in audit committee meetings. Further, the respondents disagreed with the statement indicating that their audit committee has members of different gender. However, the respondents disagreed that their audit committee has different office tenure for women.

5.2.2 Audit Committee Competence and Financial Performance

The study found that audit committee competence of financial performance of deposit taking SACCOs in Nairobi County, Kenya. From the results, the respondents strongly agreed that a competent, experienced and knowledgeable audit committee has a positive effect on Sacco financial performance. In addition, the respondents agreed that their audit committee members have good professional standing. Further, the respondents agreed that their audit committee members have financial knowledge and training. The respondents also agreed that their audit committee members have knowledge in auditing matters. Further, the respondents agreed that their audit committee members have experience in financial reporting. The respondents also agreed that their audit committee members have IT knowledge.

5.2.3 Audit Committee Leadership Qualities and Financial Performance

The study found that audit committee leadership qualities have a positive and significant effect on financial performance of deposit taking SACCOs in Nairobi County, Kenya. From the results, the respondents agreed that their audit committee members work as a team. In addition, the respondents agreed that their audit committee members are task oriented. Further, the respondents agreed that the chairman of their committee has good leadership qualities. The respondents also agreed that their internal audit prepares annual audit work plans. Findings indicate that the respondents agreed that their audit committee carries out annual self-assessment. The respondents also agreed that in their audit committee members have high morale.

The respondents agreed that their audit committee ensures planned tasks are completed. In addition, it was found that audit committee leadership qualities have a positive effect on Sacco financial performance. Further, the respondents agreed that their internal audit has an internal audit charter. The respondents also agreed that their audit committee has an audit committee charter. In addition, the respondents agreed that audit committee annually evaluates the internal audit function. The respondents also agreed that their audit committee tracks implementation of the internal audit work plans. The respondents agreed that their audit committee tracks implementation of the internal audit charter. In addition, the respondents agreed that their audit committee tracks implementation of the audit committee charter. Further, the respondents agreed that their audit committee members are goal oriented.

5.2.4 Audit Committee Leadership Style and Financial Performance

The study found that audit committee leadership style has a positive and significant effect on the financial performance of deposit taking SACCOs in Nairobi County, Kenya. From the results, the respondents agreed that the chairman audit committee motivates members by instituting goals and clarifying task requirements. In addition, the respondents agreed that their audit committee provides directions on audit recommendations. Further, the respondents agreed that their audit committee inspires the collective interest of the Sacco and its members to achieve outcomes.

The respondents also agreed that audit committee leadership style has a positive effect on Sacco financial performance. Further, the respondents agreed that their audit committee is indifferent to internal audit function. From the results, the respondents agreed that their audit

committee gives specific and precise instructions for audit tasks and assignments. In addition, the study revealed that the respondents agreed that their audit committee is transformational. However, the respondents strongly disagreed that their audit committee employees a "do nothing" style of leadership.

5.2.5 Organizational Culture and Financial Performance

The study found that organizational culture has a significant moderating effect on the relationship between audit committee characteristics and financial performance of Deposit Taking SACCOs in Nairobi County Kenya. From the results, the respondents strongly agreed that Sacco encourages employees to air their concerns and recommendations. In addition, the respondents agreed that their Sacco develops its employees human capability at all levels. Further, the respondents agreed that organization culture has a positive effect on Sacco financial performance.

The respondents also agreed that Sacco has a robust disaster management policy. Findings revealed that the respondents agreed that their Sacco places much value on working cooperatively towards the common goals of the organization. From the results, the respondents agreed that their Sacco grants the auditing committee greater autonomy and involve them in decision making. In addition, the respondents agreed that the cultural policy has been communicated to all employees.

From the results, the respondents agreed that their Sacco has a cultural policy. In addition, the respondents agreed that their Sacco norms encourage cooperation, teamwork and participation. Further, the respondents agreed that their Sacco has clarity and continuity with respect to mission statement and vision. The respondents agreed that their Sacco has some strong positive attributes that encourage transparency.

5.3 Conclusions

The study concludes that audit committee gender composition has a positive and significant effect on financial performance of deposit taking SACCOs in Nairobi County, Kenya. Findings revealed that women representation, women participation and women position influences financial performance of deposit taking SACCOs in Nairobi County, Kenya

In addition, the study concludes that audit committee competence has a positive and significant effect on financial performance of deposit taking SACCOs in Nairobi County,

Kenya. Findings revealed that financial competence, accounting expertise and industry expertise influences financial performance of deposit taking SACCOs in Nairobi County, Kenya

Further, the study concludes that audit committee leadership qualities has a positive and significant effect on financial performance of deposit taking SACCOs in Nairobi County, Kenya. Findings revealed that goal progress, team morale and task completion influences financial performance of deposit taking SACCOs in Nairobi County, Kenya.

The study also concludes that audit committee leadership style has a positive and significant effect on the financial performance of deposit taking SACCOs in Nairobi County, Kenya. Findings revealed that transformational, transactional and passive-Avoidant leadership styles influences financial performance of deposit taking SACCOs in Nairobi County, Kenya.

The study concludes that organizational culture has a significant moderating effect on the relationship between audit committee characteristics and financial performance of Deposit Taking SACCOs in Nairobi County Kenya. Findings revealed that organizational politics, norms, value and belief and disaster management influences financial performance of Deposit Taking SACCOs in Nairobi County Kenya.

5.4 Recommendations

The study recommends that the management of deposit taking Saccos should provide training and capacity-building programs for audit committee members to enhance their skills and knowledge. This should focus on areas such as financial literacy, risk management, and governance practices. This will help committee members, regardless of gender, to make more informed decisions.

In addition the SACCOs should conduct periodic reviews and evaluations of their audit committees' composition and performance. This includes assessing whether gender diversity is being maintained and whether committee members are effectively contributing to financial performance. Leadership within SACCOs, including the board of directors and management, should actively advocate for and support gender diversity initiatives. They can set an example by ensuring diversity at all levels of the organization.

SACCOs should collaborate with industry associations, regulatory bodies, and other SACCOs to share best practices for promoting gender diversity on audit committees. Learning from successful initiatives in other organizations can be valuable. In addition, review and update governance policies to explicitly promote gender diversity on audit committees. Ensure that these policies are aligned with the organization's mission and values.

Encourage diversity in leadership styles within audit committees. Having a mix of leadership approaches, including transformational, transactional, and servant leadership, can provide a well-rounded perspective and cater to different situations. In addition, promote adaptive leadership, which involves adjusting leadership styles based on the specific needs and challenges faced by the SACCO. Leaders should be able to adapt their approach to suit the organization's evolving circumstances.

5.5 Suggestions for Further Studies

This study focused on evaluating the influence of audit committee characteristics on financial performance of deposit taking SACCOs in Nairobi County Kenya. Having been limited to deposit taking SACCOs in Nairobi County Kenya, the findings of this study cannot be generalized to performance of other financial institutions in Kenya. The study therefore suggests further studies on the influence of audit committee characteristics on financial performance of other financial institutions in Kenya.

Further, the study found that the independent variables (audit committee gender composition, audit committee competence, audit committee leadership qualities and audit committee leadership style) could only explain 87.2% of financial performance of deposit taking SACCOs in Nairobi County, Kenya. This study therefore suggests research on other factors affecting financial performance of deposit taking SACCOs in Nairobi County, Kenya

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APPENDICES

Appendix I: Data Collection Instrument

This questionnaire is aimed at collecting data on *the relationship between audit committee characteristics and financial performance of deposit taking SACCOs in Nairobi County Kenya* for a Master of Co-operative Management of the Co-operative University of Kenya. The data will be used for academic purposes only, and will be treated with strict confidence. You are requested to participate in the study by providing answers to the items in the sections as indicated.

Instructions: Kindly fill your response in the space provided or tick (✓) as appropriate.

SECTION A: DEMOGRAPHIC DATA

1. What is the name of your Sacco?
.....
2. How long have you been a member of the Sacco?(Years/Months)
3. Where is the head office of your Sacco located?
.....
4. How many branches does your Sacco have?
.....
5. Are you a board member of your Sacco? Yes* No*
6. If yes, how long have you being a board member of your Sacco?.....(Years/Months)
7. Are you a member of your Sacco Audit Committee? Yes* No*
8. If yes, how long have you being a member of the Audit Committee?
.....(Years/Months)
9. Are you an employee of your Sacco? Yes* No*
10. If yes, what is your position in the Sacco?
.....
11. How long have you being an employee of the Sacco?
.....(Years/Months)
12. What is your nationality?
13. What is your ethnicity?

14. What is your gender? Female ✕ Male ✕
15. What is your age bracket?
20-29 years ✕ 30-39 years ✕ 40-49 years ✕ 50 years and above ✕
16. What is your highest academic qualification?
Diploma ✕ Bachelors' degree ✕ Master Degree ✕ Doctorate ✕
Professor ✕
17. What is your profession? -----
18. Do you belong to any professional body? Yes ✕ No ✕
19. If yes which professional body do you belong to?
.....
20. Work experience in years:
21. Are you aware your Sacco has an audit committee?
Yes, I am aware ✕ No I am not aware ✕ Not Sure ✕

SECTION B: AUDIT COMMITTEE GENDER COMPOSITION

Kindly tick ()

1. How many members are in your audit committee?

Our Sacco does not have an audit committee	Two members	Three members	Four members	Five members	Not Sure
--	-------------	---------------	--------------	--------------	----------

2. How many female members make up your Sacco audit committee?

None	One	Two	Three	Four	Five	Not Sure
------	-----	-----	-------	------	------	----------

3. The Chairperson of our Sacco audit committee is a woman?

Yes [] No [] Not Sure []

4. Our Sacco audit committee has non-executive directors?

Yes [] No [] Not Sure []

5. If yes, how many non-executive directors are in your Sacco audit committee?

None	One	Two	Three	Four	Five	Not Sure
------	-----	-----	-------	------	------	----------

6. How many non-executive directors are women?

None	One	Two	Three	Four	Five	Not Sure
------	-----	-----	-------	------	------	----------

You are required to give your level of agreement or disagreement with the statements on the influence of audit committee gender composition on financial performance of deposit taking SACCOs in Nairobi County, Kenya in the table below.

No	Statement	Strongly Disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly Agree 5
1.	Our audit committee has members of different gender					

2.	Our audit committee has different office tenure for women					
3.	Women in our audit committee participate actively in audit committee meetings					
4.	Women in our audit committee attend planned audit committee meetings without fail					
5.	Our audit committee allows women to air their views and opinions in meetings					
6.	Inclusion of women in audit committees has positive effect on Sacco financial performance					

Suggest ways of improving audit committee gender composition in your Sacco and how it can help improve financial performance.

.....

SECTION C: AUDIT COMMITTEE COMPETENCE

1. Do members of your audit committee have knowledge in finance, accounting or auditing?

Yes* No*

2. If yes which finance, accounting or auditing course did they attend?

.....

3. Do members of your audit committee have knowledge in Information and Technology (IT)?

Yes* No*

4. If yes which IT course did they attend?

.....

This section is concerned with assessing the influence of audit committee competence on financial performance of deposit taking SACCOs in Nairobi County Kenya.

No	Statement	Strongly Disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly Agree 5
1.	Our audit committee members have financial knowledge and training					
2.	Our audit committee members have IT knowledge					
3.	Our audit committee members have knowledge in accounting matters					
4.	Our audit committee members have knowledge in auditing matters					
5.	Our audit committee members have experience in financial reporting					
6.	Our audit committee members are of good professional standing					
7.	A competent, experienced and knowledgeable audit committee has a					

	positive effect on Sacco financial performance					
--	--	--	--	--	--	--

Suggest ways of improving audit committee competence in your Sacco and how it can help improve financial performance.

.....

SECTION D: AUDIT COMMITTEE LEADERSHIP QUALITIES

1. Do you think audit committee leadership qualities influences your Sacco financial performance?

Yes [] No [] Not Sure []

2. If yes list the audit committee leadership qualities that influences your Sacco financial performance

.....

3. Which leadership qualities does the Chairman of your audit committee have?

.....

This section is concerned with assessing audit committee Leadership qualities in general for the deposit taking SACCOs in Nairobi County Kenya.

No	Statement	Strongly Disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly Agree 5
1.	Our audit committee members are goal oriented					
2.	Our audit committee has an audit committee charter					
3.	Our audit committee tracks implementation of the audit committee charter					
4.	Our internal audit has an internal audit charter					
5.	Our audit committee tracks implementation of the internal audit charter					
6.	Our internal audit prepares annual audit work plans					

7.	Our audit committee tracks implementation of the internal audit work plans					
8.	Our audit committee carries out annual self-assessment					
9.	Our audit committee annually evaluates the internal audit function					
10.	The chairman of our audit committee has good leadership qualities					
11.	Our audit committee members have high morale					
12.	Our audit committee members work as a team					
13.	Our audit committee members are task oriented					
14.	Our audit committee ensures planned tasks are completed					
15.	Audit committee leadership qualities have a positive effect on Sacco financial performance					

Suggest ways of improving audit committee leadership qualities in your Sacco and how it can help improve financial performance.

.....
.....
.....

SECTION E: AUDIT COMMITTEE LEADERSHIP STYLE

1. Do you think audit committee leadership style influences your Sacco financial performance?

Yes [] No [] Not Sure []

2. If yes, list key audit committee leadership styles that influences your Sacco financial performance?

.....
.....
.....
.....

This section is concerned with assessing audit committee Leadership style in general for the deposit taking SACCOs in Nairobi County Kenya.

No	Statement	Strongly Disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly Agree 5
1.	Our audit committee is transformational					
2.	Our audit committee inspires the collective interest of the Sacco and its members to achieve outcomes					

3.	Our audit committee provides direction on audit recommendations					
4.	The chairman audit committee motivates members by instituting goals and clarifying task requirements					
5.	Our audit committee champions rewards for productivity and performance					
6.	Our audit committee gives specific and precise instructions for audit tasks and assignments					
7.	Our audit committee is indifferent to internal audit function					
8.	Our audit committee employs a “do nothing” style of leadership					
9.	Audit committee leadership style has a positive effect on Sacco financial performance					

Suggest ways of improving audit committee leadership style in your Sacco and how it can help improve financial performance.

.....
.....
.....

SECTION F: ORGANIZATIONAL CULTURE

This section is concerned with assessing the moderating effect of organizational culture on the relationship between audit committee characteristics and performance of Deposit Taking SACCOs in Nairobi County Kenya.

No	Statement	Strongly Disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly Agree 5
1.	Our Sacco has a cultural policy					
2.	The cultural policy has been communicated to all employees					
3.	Our Sacco has clarity and continuity with respect to mission statement and vision,					
4.	Our Sacco develops its employees human capability at all levels					
5.	Our Sacco has some strong positive attributes that encourage transparency					
6.	Our Sacco encourages employees to air their concerns and recommendations					
7.	Our Sacco norms encourage cooperation, teamwork, and participation					
8.	Our Sacco grants auditing committee greater autonomy and involves them in decision making					

9.	Our Sacco places much value on working cooperatively towards the common goals of the organization					
10.	Our Sacco has a robust disaster management policy					
11.	Organization culture has a positive effect on Sacco financial performance					

Suggest ways of improving organizational culture in your organization and how it can help improve financial performance.

.....

SECTION G: FINANCIAL PERFORMANCE (To be filled by the Finance Officer)

Fill in the table below the total comprehensive income and total assets for the years indicated.

Year	Total Comprehensive Income (Ksh)	Total Assets (Ksh)
2015		
2016		
2017		
2018		
2019		
2020		
2021		
2022		

Suggest ways of improving financial performance in your Sacco

.....

**END!!
 THANK YOU FOR YOUR RESPONSE**

Appendix II: List of Deposit Taking Saccos in Nairobi

		Name	Head Office	County
	1.	Afya Sacco Society Ltd	Afya Centre, Tom Mboya Street, Nairobi CBD	Nairobi
	2.	Airports Sacco Society Ltd	Airports SACCO Building, KAA HQs, J.K.I.A,	Nairobi
	3.	Ardhi Sacco Society Ltd	Survey of Kenya Field Hqs, Off Thika Rd, Nairobi	Nairobi
	4.	Asili Sacco Society Ltd	Asili Co-op Centre, Ngara Road, Ngara, Nairobi	Nairobi
	5.	Chai Sacco Society Ltd	KTDA Plaza, Moi Avenue, Nairobi CBD	Nairobi
	6.	Chuna Sacco Society Ltd	Engineering Dept. UON, Harry Thuku Rd, Nairobi City	Nairobi
	7.	Defence Sacco Society Ltd	DOD HQS, Nairobi	Nairobi
	8.	Elimu Sacco Society Ltd	Elimu Hse, Mubiru Road, South B, Nairobi City	Nairobi
	9.	Fundilima Sacco Society Ltd	Fedha House, JKUAT, Thika Road, Juja Town	Nairobi
	10.	Harambee Sacco Society Ltd	Harambee Sacco Plaza, Nairobi City Centre	Nairobi

	11.	Hazina Sacco Society Ltd	Hazina SACCO Bldg. Kibera Rd, Off Ngong Rd. Nairobi	Nairobi
	12.	Jamii Sacco Society Ltd	Jamii Sacco Court, Mukenia Rd, South B, Nairobi	Nairobi
	13.	Kencream Sacco Society Ltd	Creamery House, Dakar Road, Nairobi	Nairobi
	14.	Kenpipe Sacco Society Ltd	Kenpipe Plaza, Off Nanyuki Rd, Industrial Area, Nairobi	Nairobi
	15.	Kenversity Sacco Society Ltd	Kenversity Plaza, Kahawa Sukari Area, Nairobi	Nairobi
	16.	Kenya Bankers Sacco Society Ltd	Kenya Bankers Sacco Centre, 3rd Ngong Avenue, Nairobi City.	Nairobi
	17.	Kenya National Police DT Sacco Society Ltd	Kenya Police Sacco Plaza, Ngara Rd, Ngara, Nairobi	Nairobi
	18.	Kimisitu Sacco Society Ltd	AEA Plaza, Valley Road. Nairobi City	Nairobi
	19.	Kingdom Sacco Society Ltd	Empower House, Githurai 45, off Thika Rd, Githurai Area, Nairobi	Nairobi
	20.	Magereza Sacco Society Ltd	Mageso Chambers, Moi Avenue, Nairobi City Centre	Nairobi

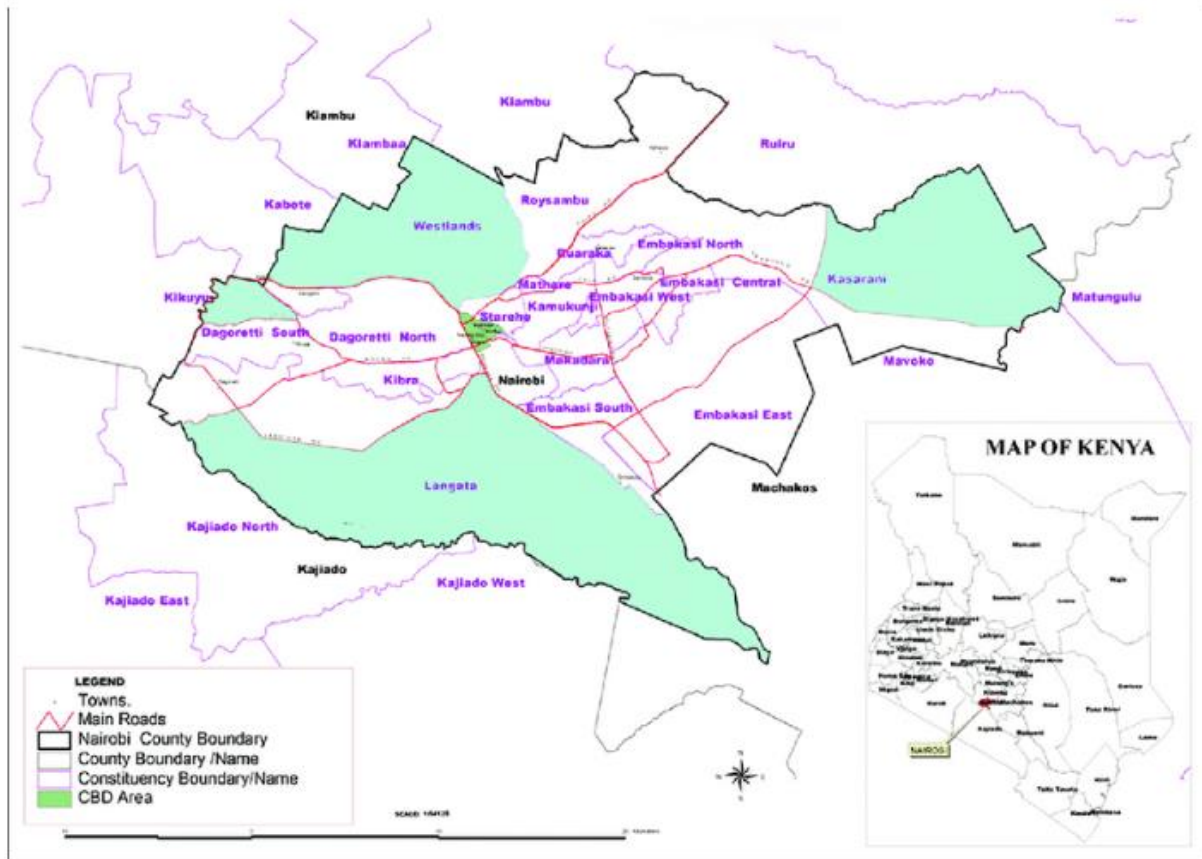
21.	Maisha Bora Sacco Society Ltd	Unilever Kenya Office, Commercial Street, Industrial Area, Nairobi	Nairobi
22.	Metropolitan National Sacco Society Ltd	Chai House, Koinange Street, Nairobi City Centre	Nairobi
23.	Mwalimu National Sacco Society Ltd	Mwalimu Towers, Upper Hill, Nairobi	Nairobi
24.	Mwito Sacco Society Ltd	Mwito House, Desai Road, Nairobi City	Nairobi
25.	Nacico Sacco Society Ltd	NACICO Plaza, Landhies Road, Nairobi City	Nairobi
26.	Nafaka DT Sacco Society Ltd	Nairobi Silos Complex, Outer-Ring Road, Nairobi	Nairobi
27.	Nation DT Sacco Society Ltd	Cambrian House, Moi Avenue, Nairobi CBD	Nairobi
28.	NSSF Sacco Society Ltd	Social Security House, Bishops Road, Nairobi	Nairobi
29.	Nyati Sacco Society Ltd	Oddysey Plaza – Mukoma Rd, Nairobi	Nairobi
30.	Safaricom Sacco Society Ltd	Safaricom Care Centre, Waiyaki Way, Westlands, Nairobi	Nairobi

31.	Sheria Sacco Society Ltd	Sheria SACCO Hse, Off-Matumbato Street, Upper Hill, Nairobi	Nairobi
32.	Shirika Deposit Taking Sacco Society Ltd	Shirika Co-op Hse, Kipande / Ngara Rd, Ngara, Nairobi City	Nairobi
33.	Shoppers Sacco Society Ltd	Nature House, Tom Mboya Street, Nairobi CBD	Nairobi
34.	Stima DT Sacco Society Ltd	Stima SACCO Plaza, Mushembi Road, Parklands, Nairobi	Nairobi
35.	Strategic-Urembo Sacco Society Ltd	Lunga Lunga Square, Industrial Area Nairobi	Nairobi
36.	Taqwa Sacco Society Ltd	Jamia Plaza, 3rd floor Kigali Street, Nairobi	Nairobi
37.	Telepost Sacco Society Ltd	City Square Post Office, Haile Selassie Road, Nairobi	Nairobi
38.	Tembo Sacco Society Ltd	Tembo SACCO Complex, Garden Estate Rd, Mukima Drive, Ruaraka	Nairobi
39.	Ufanisi DT Sacco Society Ltd	Development House, Moi Avenue, Nairobi City Centre	Nairobi
40.	Ukristo Na Ufanisi Wa Anglicana Sacco Society Ltd	ACK Emmanuel Church Riruta, Riruta Area, Nairobi	Nairobi

	41.	Ukulima Saco Society Ltd	Ukulima Co-operative House, Haile Selassie Avenue, Nairobi City Centre	Nairobi
	42.	Unaitas Sacco Society Ltd	Cardinal Otunga Plaza, Kaunda Street, Nairobi	Nairobi
	43.	United Nations Sacco Society Ltd	UN-Complex Bldg, Gigiri Area, Nairobi	Nairobi
	44.	Ushuru Sacco Society Ltd	Ushuru SACCO Centre, Wood Avenue, Kilimani, Nairobi City	Nairobi
	45.	Wanaanga Sacco Society Ltd	Meteorological Hqs, Ngong Road, Nairobi City	Nairobi
	46.	Wanandegge Sacco Society Ltd	Wanandegge Plaza, Old North Airport Road, Embakasi, Nairobi	Nairobi
	47.	Waumini Sacco Society Ltd	Applewood Adams Bldg, 2nd Floor, Ngong Rd, Adams Arcade, Nairobi	Nairobi

Source: SASRA (2022)

Appendix III: Map of Nairobi County



Appendix IV: Letters



THE CO-OPERATIVE UNIVERSITY OF KENYA

P. O. Box 24814-00502 Karen, Kenya

Telephone: (020)-2430127/2679456/8891401 Fax (020)-8891410

www.cuk.ac.ke

BOARD OF POSTGRADUATE STUDIES

24th August 2022

The Director,
National Commission for Science, Technology & Innovation,
Utalii House,
Nairobi.

Dear Sir/Madam,
JOHN GATHOGO, REGISTRATION NUMBER: MCMC02\0009\2017

This is to introduce the above named Master of Co-operatives Management student in the School of Co-operatives and Community Development at The Co-operative University of Kenya.

He has successfully completed his course work and is proceeding to the field to collect data from deposit taking savings and credit co-operatives in Nairobi County. The title of his research project is *"Influence of Audit Committee Characteristics on Financial Performance of Deposit Taking Savings and Credit Co-operatives in Nairobi County, Kenya"*

Kindly accord him the necessary assistance.

Yours Sincerely,

D. K. Muthoni,
Acting Director, Board of Postgraduate Studies.



CUK is ISO 9001: 2015 Certified

John Gathogoh
The Cooperative University of Kenya
P.O. Box 24814-00502 Karen
Nairobi

Tel No. 0720230126
Email-gathogohk@gmail.com

18th May 2023

The Chief Executive Officer
The Sacco Societies Regulatory Authority (SASRA)
P.O. Box 25089-00100, Nairobi, Kenya
Tel: +254 (20) 2935101
E-mail: info@sasra.go.ke
Physical Address :
Upper Hill Road, UAP Old Mutual Tower, 19th Floor.
NAIROBI. KENYA.

Dear Sir

REQUEST FOR APPROVAL TO COLLECT DATA IN YOUR ORGANISATION

My name is **John Gathogoh** and I am a **Masters Degree Student at the Cooperative University of Kenya**, registration number **MCMC02/0009/2017**. I have completed my course work and would be proceeding to collect data from licensed deposit taking savings and credit cooperatives in Nairobi County. The title of my research project is *“Influence of Audit Committee Characteristics on Financial Performance of Deposit taking Savings and Credit Cooperatives in Nairobi County, Kenya”*

The research is intended to collect financial statements data (Total comprehensive income and Total assets) from all Deposit Taking Saccos in Nairobi County. I have been advised that Deposit Taking Saccos submit audited financial statements to SASRA.

It is in this regard that I would be most grateful if your good office could approve the collection of financial statements data from the Deposit taking Saccos audited financial statements maintained by your esteemed institution. The audited financial statements required are for the years 2015 to 2022.

I have enclosed the research license from NACOSTI, the Cooperative University of Kenya introduction letter and the questionnaire. I commit to sharing the final report with you.

Yours faithfully

John Gathogoh



THE CO-OPERATIVE UNIVERSITY OF KENYA

P. O. Box 24814-00502 Karen, Kenya

Telephone: (020)-2430127/2679456/8891401 Fax (020)-8891410

www.cuk.ac.ke

BOARD OF POSTGRADUATE STUDIES

6th February, 2023

To Whom it may Concern

Dear Sir/Madam,

JOHN GATHOGO. REGISTRATION NUMBER: MCMC02\0009\2017

This is to introduce the above named Master of Co-operatives Management student in the School of Co-operatives and Community Development at The Co-operative University of Kenya.

He has successfully completed his course work and is required to collect data from deposit taking savings and credit co-operatives in Nairobi County. The title of his research project is *"Influence of Audit Committee Characteristics on Financial Performance of Deposit Taking Savings and Credit Co-operatives in Nairobi County, Kenya"*

Kindly accord him the necessary assistance.

Yours Sincerely,

D. K. Muthoni,
Director, Board of Postgraduate Studies.



CUK is ISO 9001: 2015 Certified



REPUBLIC OF KENYA



NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Ref No: 706495

Date of Issue: 19/September/2022

RESEARCH LICENSE



This is to Certify that Mr. John gathogoh of The Cooperative University of Kenya, has been licensed to conduct research in Kisumu, Nairobi on the topic: INFLUENCE OF AUDIT COMMITTEE CHARACTERISTICS ON FINANCIAL PERFORMANCE OF DEPOSIT TAKING SAVINGS AND CREDIT CO-OPERATIVES IN NAIROBI COUNTY, KENYA for the period ending : 19/September/2023.

License No: NACOSTI/P/22/20155

706495

Applicant Identification Number

Handwritten signature

Director General NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Verification QR Code



NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.

TO BE FILLED AND EXECUTED BY ACADEMIC RESEARCHERS IN DUPLICATE

NON-DISCLOSURE, CONFIDENTIALITY AND SUBMISSION OF A COPY OF FINAL REPORT UNDERTAKING

		NOTES
FULL NAMES OF THE STUDENT:	JOHN GATHOGOTI	Attach copy of the N/ID
PERSONAL TELEPHONE CONTACT OF THE STUDENT:	0720230126	
PERSONAL E-MAIL ADDRESS OF THE STUDENT:	gathogoti@gmail.com	
NATIONAL IDENTITY CARD NUMBER OF THE STUDENT:	11222500	Attach copy of the S/ID
FULL DETAILS OF THE ACADEMIC DEGREE PROGRAMME:	MASTERS OF COOPERATIVE MANAGEMENT	Attach copy of university letter
NAME OF UNIVERSITY/ACADEMIC INSTITUTION	THE COOPERATIVE UNIVERSITY OF KENYA	
NACOSTI AUTHORIZATION - STATE PERIOD ALLOWED	UP TO 19-9-2023	Attach copy of the Nacosti ID
BRIEF DETAILS OF DATA OR INFORMATION SOUGHT FROM SASRA	AUDITED FINANCIAL STATEMENTS FROM 2015-2022 (UP TO 2021)	



PERSONAL UNDERTAKING

I, John Gathogoti..... (insert name), the above named adult person currently undertaking academic studies at the above named University/Institution; and currently undertaking a research towards the partial fulfillment of said degree programme, having requested for data and other information relating to the said research from the SACCO Societies Regulatory Authority (SASRA), do hereby voluntarily declare and undertakes as follows:

1. **THAT** the data and information requested for and obtained from the Authority shall be strictly limited for use for the said academic programme only, and shall therefore not be used for any other purposes whatsoever;
2. **THAT I** shall not disclose any of the data or other information obtained from the Authority to any third party whatsoever, and shall at all material times during or