MICRO FACTORS AFFECTING FINANCIAL PERFORMANCE OF SMALL AND MEDIUM AUDIT FIRMS IN NAIROBI COUNTY

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RESEARCH DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE AWARD OF THE DEGREE OF MASTER IN BUSINESS ADMINISTRATION (CORPORATE MANAGEMENT) TO THE SCHOOL OF BUSINESSAT KCA UNIVERSITY

NOVEMBER 2022

DECLARATION

I hereby declare that this project is my original work and has not been previously published or submitted elsewhere for award of a degree. I also declare that this contains no material written or published by other people except where due reference is made and author duly acknowledged

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I do hereby confirm that I have examined the master's project of and have certified that the work is original and done as per guideline

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ABSTRACT

Small and Medium Enterprises (SMEs) audit firms in Nairobi, despite undergoing major changes, have experienced different problems and challenges. This study aimed to identify variables negatively influencing small and medium audit firms' SMEs. The variables mainly constitute micro variables affecting audit firms' profit levels. The research objective was to identify these variables and if there are any relations with the profit levels of the SME audit firms in Nairobi. Descriptive research was used in the study. Self-administered questionnaires were used to collect the data; from a population of 90 SME audit firms in Nairobi County, Kenya. The research design took the form of a census covering audit firms. Regression analysis was used to establish the relation between micro variables in the form of firm size, audit quality, management support, and liquidity. In analyzing the data, the dependent variable, and in measuring the parameters, SPSS (23) was used. The study found that firm size, audit quality, management support, and liquidity have a positive and statistically significant effect on the financial performance of SME audit firms. The study recommends that to be able to obtain funds from investors for expansion and financial performance, a business must generate sufficient profits to cover the costs of running the business. An effective audit quality can assist in the identification of ways to improve the efficiency of a company and in the reduction of overhead costs. Higher audit quality has the potential to constrain better earnings management, which in turn has the potential to improve the quality of financial reports. To improve the efficiency of the organization's processes, the full commitment of the highest management must be agreed upon, connected, and effected at all levels of the organization.

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LIST OF ABBREVIATIONS

AQ	Audit quality
CEC	Commission of the European Communities
EU	European Union
ICPAK	Institute of Public Accountants of Kenya
ROA	Return on Assets
ROI	Return on Investments
SD	Standard Deviation
SMEs	Small and medium-sized enterprises

DEFINITION OF TERMS

Audit: refers to official scrutiny of a person's or establishment's accounts, typically by an independent body (Cohen *et al.*, 2002).

Financial Performance is computing the business worth of the outcomes of a firm's guidelines and operations (Kanana,2022). It is an extensive indicator of a company's overall monetary health over a specific period (Hunjra & Bashir, 2014). It evaluates how institutions use resources from their initial form to generate income. The leading financial performance indicators are; profits, return on investment (ROI), return on assets (ROA), value added, and margins, among others.

Liquidity is the capability of an organization to attain its obligations in the short run (Bhunia, 2010). Liquidity is primarily measured by; assets categorized as a liquid to total assets and the institutions' deposit advances (Liargovas & Skanda, 2008).

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

The contributions of small and medium-sized businesses (also known as SMEs) to the expansion and development of the economy are significant. The term "SMEs" refers to a diverse array of businesses. Small and medium-sized enterprises (SMEs), such as audit companies, have made it possible for businesses to accomplish their objectives by improving the efficacy and control of the methods used to manage and evaluate the effectiveness of risk management and corporate governance (Wood et al., 2012).

SMEs audit businesses are professional audit practices whose customers are typically other SMEs. These firms employ external sources to supplement insufficient in-house practical resources and engage a limited number of staff members. SME audit firms are also known as professional audit practices. A company is considered small and medium if it has between 0 and 99 employees (KNBS 2016, European Commission 2012). Audits are a method for validating the claim that a company is well managed, and they also provide recommendations for any necessary improvements. It is a form of investigation directed toward methods and techniques (Waruhiu, 2015). Auditing firms are recognized as a professional body with human capital heavy industries and a high level of skill, according to Boynton and Johnson (2001).

According to the World Bank (2015), small and medium-sized firms (SMEs) are of considerable significance to the economy of most countries, particularly those of developing countries. Formal small and medium-sized businesses can account for up to 33% of the GDP and up to 45% of all employment in emerging nations. These statistics become significantly higher if you consider informal small and medium-sized businesses. According to Sauser's postulate from 2005, there is a positive correlation between the economy's growth and the financial success of small businesses in industrialized countries. This was shown to be the case in both developed and developing nations.

There are numerous categories of auditing, the most common of which are internal and external auditing. The function of an internal audit is to provide the administration with a useful tool that can help the establishment of an internal monitoring system, as well as the improvement of management control and risk management. An internal audit will present ways that are both efficient and effective for managing the resources that are currently available. Because of this, maximum resource utilization is enabled, which leads to an increase in profit margin. The company's operations can be improved, and the company's value can be increased through the use of internal auditing. This is achieved through the activity of consultation, independence, and the guarantee that it is objective (Stewart & Subramaniam, 2010). Internal auditing makes it possible for companies to accomplish their goals by facilitating a more disciplined approach to improving the efficiency of risk management and regulating processes.

An external auditor is the one who is in charge of conducting the external auditing. It is an essential and objective review of the reports and documents that the organization has produced. It provides an objective and truthful assessment of the legitimacy of the financial records for a specific period (Fadzil et al., 2005). According to Shuker (2012), integration is the coordination and cooperation between the internal auditor and the external auditor during the implementation of the auditing to enable a more understandable coverage of the audit work, reduce duplication of efforts, and distributes the work in such a way that it achieves the audit goals and objectives, thereby benefiting the organization.

Auditing regulations are not the same in every nation, although, in the vast majority of countries, registered businesses must have their financial accounts audited (Eilifsen, 2006). The expansion of small and medium businesses benefits the country's economy, which is why a positive impact can be felt. According to a report by the European Commission, small and medium-sized businesses make up 99 percent of the active organizations in Europe. International Standards on Auditing (ISAs) (Commission of the European Communities [CEC], 2003) is an application that was introduced in 2005 by the European Union (EU) in order to improve and harmonize the quality of statutory audits. This application was designed to be used by all EU members. From 2005 onward, the EU required its members to use this application. Several states, including Sweden, use the application.

Conventional financial accounting, taxation, and auditing functions are part of Kenya's accountancy practice. The practice includes essential facilities, such as account management, business consultation, and organization advice services (Haria, 2011). Auditing companies are essential to any company's operations because of their crucial role in guaranteeing the openness of businesses and improving the functioning of various capital markets in any economy. The financial statements accredited auditors give are vital to the functioning of capital markets in many nations. The investment process would come to a halt, and there would be a delay in economic and financial performance if it were impossible to rely on the truthfulness of the statements (Doogar & Easley, 1998).

Micro factors

Audit firms can be influenced by factors that can be managed by the firm and by factors that are not under the institution's control. In contrast to the factors generated from the outside, which the audit firms cannot exert any influence over, the factors that are influenced internally are ones that the audit firms can control. According to Boulding (2011), the research of specific organizations, particularly those that are domestic, prices, salaries, incomes, industries, and specific commodities are included in the category of micro factors. Because they affect day-to-day business activities, variables in microeconomics are often considered to impact a company's short-term prospects.

According to Billingtoft and Ulhi (2005), understanding the major internal factors that influence firms is helpful in planning, conducting research, and strategizing for organizational goals. The number of products that an organization can produce while utilizing its existing resources is the firm's size. A company's production capacity is a factor that falls under the category of internal factors.

The capacities of the companies are evaluated based on the input resources as well as the output resources. Theobald (2000) Ceteris paribus assumes that all other variables will remain the same; however, this is not the case, and the primary variable will still affect the result (Boulding, 2011).

One of the restrictions imposed by the micro factors is the ceteris paribus. Even though micro factors are within a company or organization's control, they still significantly impact the industry as a whole. Since they differ in size, strategies, and capacity, this can be demonstrated when large firms give more recognition to the number of raw materials supplied and not to the small industries (Rauch & Frese, 2000). Customers, employees, competitors, media, shareholders, and suppliers are the primary micro factors that significantly impact most businesses (Neil Kokemuller, 2018).

The micro and macro factors are the categories used to classify the elements that impact an organization's financial performance (Sehrish et al., 2011). Internal variables also referred to as micro factors, are those that have an effect on an organization from within. The decision made by the organization and the primary goals it pursues is the primary drivers of these factors. Micro variables, which include organization decisions, firm size, capital, management of risk, and management expenditures, directly impact the organization's overall financial performance. This is because the majority of the organization's characteristics are kept confidential. Other micros elements, such as liquidity or credit, that fall under the category of company-specific factors. These factors are directly connected to an organization's management, particularly the management of risk. The nature of the auditing industry as a company makes it imperative that proper risk management practices be implemented. Reduced asset quality and inadequate liquidity are two significant factors contributing to businesses' demise. These factors are cited as the reasons for credit and liquidity risk, and they motivate researchers to investigate the influence on audit firms' profitability (Staikouras & Wood, 2004).

Financial performance

A company's financial success might be synonymous with how well it is meeting the expectations of its shareholders and reaching the financial goals it has set for itself. One way to think of the degree of performance that a company achieves at a certain time is its financial performance. This might be quantified in terms of connections between overall gains and losses or skill exploitation (Iliemena & Ijeoma, 2019). A company's ability to effectively create money from its primary line of business using the resources such activities provide is called its "financial performance" (Grimsley, 2018). Financial performance refers to an organization's profitability when all of its resources are used (Wei, 2012). This profitability can be assessed by return on assets, financial performance in sales, and return on sales. A company's financial health can be evaluated using a range of metrics, such as the number of employees, the level of profits, and the total assets held by the company (Jim, 2007). According to Chen and Wong (2004), financial Performance refers to an organization's capacity to effectively manage the assets it has acquired through a variety of strategies in order to create a competitive environment. This capability is necessary for an organization to have "Financial Performance." Performance can be broken down into two basic categories: financial and non-financial. Both of these are quite significant. The financial performance of an organization provides information on the quantity that is more in-depth than what is provided in the financial statements. The company's day-to-day activities can be thought of as having three aspects. The effectiveness with which a corporation transforms its resources into products is the major factor to consider in the first dimension. In terms of the company's profitability, the second factor to consider is the point at which its earnings are greater than its expenditures. This point is known as the breakeven point. Thirdly, the extent to which the company enjoys a market premium is the component that plays a role in determining whether or not the market value is more than the book value (Walker, 2001).

The primary indicators of a company's performance are the financial performance in sales, the profit margin, the return on assets, the earnings before interest and tax, and the economic value added (Crabtree, 2008). This method of measurement is readily available, which is one of its advantages (Chenhall, 2007)—because the majority of businesses strive to achieve the highest possible level of profitability and compile statistics for annual reports.

However, the use of balance sheets interferes with the results of accounting methods, which can reduce facts that allow organizations' finances to be evaluated. This interference can hurt the results of accounting. The exploitation of a company's assets in their original form to earn profits is referred to as financial performance. It is also possible to use it as a measurement of the company's overall operations during a particular period.

Return on assets, often known as ROA, is an important number that demonstrates how profitable a company is. It measures how productive an organization is compared to the value of all of its assets. It compares the company's total income to its total assets. (Amahalu, Egolum & Obi, 2019) This productivity ratio demonstrates how profitable a company is and its overall efficiency. It also demonstrates how successful the organization of a corporation is in making net revenue from all of the cash available to the business. When the ROA is higher than average, it indicates that the company is making better use of its resources (Horton, 2018). The Return on Assets is expressed as a percentage, and its calculation is as follows: Return on Assets, or ROA, is calculated by dividing net income by total assets.

Small and Medium-Sized Audit Firms in Nairobi Kenya

Kenya is a developing country experiencing industrialization. With the increased rate of industrialization, there is high demand for audits. This has resulted in the establishment of audit businesses in order to serve the demand in the market. Audit firms and audit companies are both types of businesses that can be operated as partnerships or as sole proprietorships. These types of organizations provide auditing, accountancy, and advisory services to clients, who can be people or enterprises. Auditing has become one of the largest professions in Kenya with an estimated 18,000 qualified professionals with a third registered with ICPAK. According to annual report ICPAK (2015), ICPAK membership is distributed differently as: 40% as private practice, 50% to the trade and commerce, others are the public sector and academia 10%. However, approximations indicate that there are over 20,000 qualified accounting technicians. Kenya has 623 Audit firms (ICPAK 2021) at the moment under the auditing and accountancy sector. There are five firms that dominate the audit industry in Kenya also known as big five, which are all international. The five companies serve as the auditors for virtually all of the companies that are listed publicly in Kenya. The partners of these audit companies, which are located both locally and internationally, are actively involved in a variety of committees of The Institute of Public Accountants of Kenya, which is Kenya's local professional accounting organisation (ICPAK).

The vast majority of auditing companies fall into the category of small to medium-sized enterprises. Only five auditing companies made it into the top five spots. These are: PWC, Ernst & Young, Deloitte & Touche, PKF, and KPMG. These indicate that there has been a dettered financial performance of the audit industry, therefore leading to audit failures due to poor financial performance of small and medium audit firms. These firms are: PWC, Ernst & Young, PKF, and KPMG.

- Study by the ICPAK (2015), showed that the audit industry in Kenya has experienced slow financial performance within the years and later the effect of Covind 19 pandemic which affected SMEs business operations in Kenya. Firm financial performance is typically defined and measured using absolute or relative changes in sales, assets, employment, productivity, profits and profits margins (Davidson et al, 2005; Allinson et al, 2006). One of the most studied areas of economics is the profitability of individual businesses. Employment, industry concentration, business survival, and overall economic activity are all areas that might be negatively affected, making this a matter of critical concern. The health of a company's finances has a direct bearing on that company's chances of staying in business. In particular, being aware of a company's financial success is connected with finding a job, and organizations that experience continuous financial performance and reputation have a better chance of surviving in the market today and being well-known for their excellent output.

ICPAK is the body that the government of Kenya uses to regulate audit firms. This body serves to protect the interests of individuals who are not directly associated with the entity or the

management of the entity by providing the opinion of an independent party who has examined financial statements and gathered sufficient and appropriate audit evidence for the purpose of providing his opinion on the true and fairness of the financial statements. This opinion is given after the independent party has determined that the financial statements have been examined and that sufficient and appropriate audit evidence has been gathered. This includes conducting audits of both internal controls and system controls, both of which serve to keep an eye on personnel and boost morale by lowering the likelihood that company funds will be misappropriated in any way.
SME audit firms examine the business's existing controls and operations, and they offer assistance in locating flaws and deficiencies in the company's methods of operation and monitoring, all in accordance with the guidelines established by international audit standards. This helps to guarantee that the audit reports contain accurate information.

The management is aided by audited final accounts in the resolution of different claims and disputes, the sanctioning of loans, and the acquisition of a license from the government in accordance with the standards imposed by the government.

In aspect that, the financial performance of firms is associated very directly to the existence of firms According to Gichuke (2013. Especially, the financial performance of firm has positive correlation with the chances of firms' survival that experience constant financial performance has a higher probability of surviving in the market. Second, firm financial performance is related to employment. A positive rate of financial performance implies a net creation of new jobs, and the vice versa is true.

Thirdly, economic financial performance impacts the business financial performance where economic dynamics relate to the business financial performance. Lastly, through firm financial performance new innovations are introduced which is a contributing factor to the technological innovations. Business financial performance differs broadly depending on business age, size and industry (Koech, 2015).

1.2 Statement of the problem

Despite the government's efforts, challenges are experienced in the business environment stimulated by fast development in information technology, trade-related support services, globalization effects, competition, and factors within the firms (Rosie, 2012). To tackle these changes in the market, audit firms ought to adapt to the new environment for survival.

Local audit businesses in various industries have improved their effectiveness and efficiency as the globe has become a global village to help them survive in this dynamic environment (Kimeli, 2013). Thus, audit firms have developed new techniques to tackle the problems, resulting in improved performance. There are 623 registered audit firms in Kenya, most of which are small and medium-sized enterprises (SMEs) (ICPAK 2021). Only 6% of the companies registered in Nairobi are considered the "big five," while the remaining 94% are classified as small and medium-sized enterprises (SMEs) audit businesses. Managing the businesses' internal variables, such as audit quality, policy adherence, independence, and fee management, impacts the firms' functioning. The absence of adequate internal control techniques in the audit business has not only led to improper loyalty to policies but also to deprived management of assets, which has contributed to staff turnover in many of the audit companies in Kenya. The decrease in customer confidence that results from a high personnel turnover rate in any company leads to poor financial performance on the part of the audit firm. Throughout the years, the function of auditing has altered slightly, and its primary focus has switched from identifying errors and frauds to determining whether the accounts are accurate and impartial. After the end of the Second World War, many countries gained their independence and started putting more emphasis on trade and business. As a result of the proliferation of businesses, there is now a greater need for accounting and auditing services. During this era of transition for industrialization, developed and developing nations embraced the concepts of auditing in order to offer an accurate perspective of the books of account.

The context in which audit companies have had to conduct their business has been quite unstable. Some of the obstacles that have had a significant impact on the financial success of this industry include political worries, competition from new entrants, social changes, technical development, and globalization.

The research was conducted by Munuve (2018) on the financial elements that impact the financial performance of audit businesses in Nairobi County, with audit fees and internal control systems functioning as independent variables in the study. Research on the modest tactics that were taken by small and medium audit businesses in Nairobi was carried out by Barongo (2012). County Seat of City, Kenya, A research was carried out by Polle (2012) on the difficulties of strategy execution that audit businesses in Nairobi, Kenya, are now facing. Nyakang'o (2007) researched the competitive tactics used by audit companies in Nairobi and published their findings. According to research conducted by Noraini Abdullah and Nurul Fatanah Rosli (2015), there is a clear correlation between the use of information and communication technology (ICT), the implementation of marketing strategies, and the management of human resources. Because this sector plays such an important part in our economy, we cannot overlook the difficulties ahead. The difficulties posed pose significant strategic threats to existing businesses, and a good number of these businesses will not be able to survive the new turn of events. Those businesses that can survive have been forced to take immediate action in the form of strategies to continue doing so. According to Githae (2004), many audit firms in Kenya are quick to confirm that it is more difficult to do business than it was in the case in previous eras. This is according to the findings of the firm. They point to various issues, including more competition, undercutting, and a rising requirement for more compliance as new regulation is constantly introduced. Among other things, this is made worse by the insufficient help provided by the government.

The small and medium-sized audit businesses that operate in this kind of business climate have been facing much uncertainty in recent years. Some of the issues that have had a significant impact on the financial success of this company include political unrest, competition from new entrants, social changes, technical innovation, and global challenges. Because the globe has shrunk to the size of a village, local businesses in all sectors have been compelled to increase their levels of productivity and efficiency in order to compete successfully in an increasingly competitive environment (Kimeli, 2013). Because this is the case, the auditor, the sole proprietor of the audit business, is held to a very high standard. The audit expectation gap, auditor litigation, and technological changes are some of the challenges that audit firms face regularly. Other challenges include fraudulent financial reporting and audit failures; new legislation, regulation, and standards; audit costs and fees; staff training, transformation, and retention; auditor independence and the provision of non-audit services; and the audit expectation gap. Because of this, audit companies have been obliged to develop new tactics to deal with the issues they face and enhance their performance. Most audit companies in Kenya are considered small firms, with just a few organizations falling into the medium-size category and only five firms falling into the big-size category. This raises the question of why the financial performance of the numerous small enterprises does not match that of the medium or big-size firms or why the medium firms do not develop to the level of the large firms. Operations at audit companies are impacted by the management of various internal elements, including policy adherence, auditor independence, and audit fee management. The lack of effective internal control mechanisms in the audit business has led to incorrect adherence to rules and poor management of resources, which has led to high staff turnover in many of the audit companies in Kenya. This is the case in many of the audit firms in

Kenya. A decrease in clients' confidence and, as a result, a high personnel turnover rate negatively impacts the audit firm's financial success.

The majority of study on financial performance and the performance of Audit firms has been done in industrialized nations, with either none or very little done locally. This is in contrast to research that has been done on developing nations. Agina (2013) studied the adoption and implementation of key performance indicators by auditing firms in Kenya in their international operations. Barongo (2012) studied the competitive strategies adopted by small and medium audit firms in Nairobi City County, Kenya. Polle (2012) did a study on the challenges that auditing firms in Kenya face. Agina (2013) studied the adoption and implementation of key performance indicators by auditing firms in Kenya in their international operations.

Even though it is acknowledged and known that the local audit businesses' financial performance has been hindered, an additional study that has been carried out has concentrated on two or three micro variables. The current study was carried out with the consideration of four microelements that impact the financial performance of audit businesses. These micro factors include company size, audit quality, managerial support, and liquidity. As a result, the purpose of this study was to investigate additional microelements that influence the financial performance of small and medium-sized audit businesses in Kenya, with a particular focus on a few firms operating in Nairobi County. The goal of the study is to help SMEs audit firms, the government of Kenya, researchers, and other interested parties in the SME sector realize the importance of SMEs to Kenya's economy and recognize the Millennium Development Goals (MDGs) as outlined in Vision 2030. These are the objectives of the study.

1.3 Research objectives

To determine the effects of micro factors on the financial performance of small and medium audit firms in Nairobi County

1.4 Specific objectives

i. To determine the effect of company size on the financial performance of small and medium audit firms in Nairobi County.
ii. To determine the effect of audit quality on the financial performance of small and medium audit firms in Nairobi County.
iii. To determine the effect of management support on the financial performance of small and medium audit firms in Nairobi County.
iv. To determine the effect of liquidity on the financial performance of small and medium audit firms in Nairobi County.

1.5 Research questions

i. How does company size affect the financial performance of small and medium audit firms in Nairobi County?
ii. What is the effect of audit quality on the financial performance of small and medium audit firms in Nairobi County?
iii. Does management support impact financial performance of small and medium audit firms in Nairobi County?
iv. What is the result of liquidity on the financial performance of small and medium audit firms in Nairobi County?

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This literature review on obtainable and related studies studied micro factors affecting the financial performance of SME audit firms in Nairobi. A literature review is a comprehendible study and analysis of works that deal with a particular research topic (Aveyard, 2010). This chapter will broadly examine liquidity, capital adequacy, management efficiency, and audit quality, and how they affect the financial performance of SME audit firms in Nairobi.

2.2 Theoretical Review

These are theories that are interred -linked to their ideas. Theories are meant to give explanation, prediction, and comprehension of ideas, in other cases it helps to challenge the existing knowledge, given limitations on the criticism. The theoretical reviews must show an understanding of related ideas and related theories to the topic under study, which will relate to the fields of knowledge the research is on. The theories selected should be appropriate, easily applicable, and broad in knowledge. The theoretical review connects the existing field of knowledge and the researcher (Cresswell, 2003). It is a basis on ideas obtained and maintained by facts (Macharia, 2012) the following theories will guide this study.

2.1.1 The Agency Theory

The study and resolution of issues that may arise in the dynamic between principals, such as owners or shareholders, and the agents that work on their behalf are the primary focuses of agency theory. It is necessary for the firm to incur additional expenses, which are referred to as agency costs, in order to reduce the agency risk and increase the owner's capital.

These are the costs associated with monitoring the activities of administrators, ensuring that administrators do not participate in fraudulent behavior, and providing incentives for managers (Gitman, 2017). Both Lin & Fu (2017) and Mishra & Kapil (2017) found that institutional possession has a significant positive impact on the financial performance of a company. This is due to the fact that corporate investors will act as active monitoring that aggressively supervises the activities of the company, which will result in fewer agency problems and agency expenses (Lin & Fu, 2017). The presence of insider ownership was found to have a significant positive effect on Mishra and Kapil (2017). This was due to the fact that insider ownership results in an alignment effect between the interests of managers and owners, which in turn results in a reduction of the agency problem as well as agency expenses. Because of the informational imbalance, the theory postulates that the agent will not always act in the principal's best interests even though both the principal and the agent are utility maximizers with different interests. In addition, the theory states that the agent will not always maximize the principal's utility. The principal can control the degree to which the agents and their respective interests diverge by providing the agent with the right incentives and by bearing the costs that are referred to as agency costs.

Agency costs include the following monitoring expenditures made by the principal in order to limit any aberrant activities of the agent, bonding expenditures made by the agent in order to ensure that he will not take certain actions that could harm the principal, as well as the residual loss made by the principal: the amount of money in US dollars that would be comparable to the decrease in welfare that the principle would experience as a result of actions made by the agent that were different from those that would maximize the principal's welfare if they were made. The principal-agent relation is more or less prototypical of the relation between shareholders or principals) and management employment contracts in the management literature.

This is because both of these types of relationships are based on the agency model. The idea offers a solution to the informational issues that are caused by contracts of this kind. Given certain assumptions about people, such as self-interest, bounded rationality, risk aversion, and the organization, for example, goal conflict between managers and shareholders, and information, for example, information is a commodity that can be purchased and utilized in a way to acquire a more valuable definition, the focus of the theory is on determining the contract that governs the principal-agent relationship that is the most effective and efficient given those assumptions. The idea also tries to provide an incentive structure that may motivate and assure that the agents will operate in a manner that is consistent with the interests of the principal.

It has been suggested that the agency notion is a powerful organizational theory that gives extraordinary insight into information systems, result uncertainty, motivation, and risk. This has caused the concept to be seen in a problematic light. Critics contend that the agency theory is founded solely on a limited assumption about the nature of human behavior. It is argued that agency theory lacks the concepts necessary to acknowledge a more positive view of management motives and behavior and that it portrays managers as having a natural tendency to act in ways that are opportunistic, self-serving, deceitful, and lazy, which is to the detriment of their employers. Some academics felt that the notion was inhumane and perhaps potentially harmful to society. In this paper, I suggest that every theory has the potential to offer some insights into the phenomenon that is being investigated. The issue is that organization theorists frequently have the habit of trying to apply a single theory to each and every organization in each and every environment. The circumstances surrounding the observed social phenomena are extremely important to consider. It is a fact that agency theory, by placing an excessive amount of emphasis on agency costs, overlooked the extensive cultural, social, and political context in which social actors find themselves.

The agency theory, on the other hand, provides, without a doubt, insights into specific settings in which interests are, to a significant degree, at odds with one another.

In the context of the current investigation, the auditing firms that can be found in Nairobi, Kenya, are owned by the persons who are partners in the respective firms. There is a relationship similar to that of a principle and an agent here between the individual owners of SME audit businesses and the management of those firms. The agency, which consists of the appropriate ministries, may be considered the principal, while the state enterprise, or the management team of the state enterprise, might be considered the agent. The agency theory would suggest that the poor performance of many auditing companies in Nairobi, Kenya, and Vie is due to the lack of control exercised by the associated parties over the enterprise. This would be the case if the related parties did not have sufficient influence over the business. It is a fact that the administration of auditing businesses is fraught with several principal-agent issues (such as the question of who, exactly, controls the business). Examples of such issues include. It is not commonplace for day-to-day auditing businesses to engage in dishonest, self-serving, and other opportunistic behaviors. This is especially the case when there is a lack of integrity and standardization of rules. The agency theory may shed light on these issues, which stem from a lack of control exerted by a principle in some capacity. It does so by analyzing the relationships between principals and agents. However, the difficulties cannot be explained using the framework agency theory provides since it is insufficient.

The resource-Based theory

According to this theory, an organization's competitive advantage is based on the ownership of tangible and intangible properties that are mostly hard or costly for other firms to obtain. For the company to continue to have an advantage over its competitors, its resources must be precious, scarce, original, and not easily replaced (Camayo, 2020).

The term "resource-based theory" (RBT) refers to a school of thought within the discipline of tactical administration that offers a strategic context to educate and foretell the basis upon which competitive advantage and firm results are built (Barney et al., 2011). The primary reason why this ideal has not been realized is that many studies tend to place a greater focus on monetary resources (financial capital, physical capital), human capital, and organization (Hitt et al., 2011; Barney et al., 2011). Although the presentation of immaterial qualities (such as information, contacts to partnerships, know-how, and networks) and entrepreneurialism as a focus for deciding the strategy is still relatively limited, this does not mean that these factors are not important (Van, 2009).

According to this theory, societal resources are living, non-material resources that companies may tap into (Kozlenkova et al., 2014; Adriani, 2012). Societal resources are a collection of informal values or norms that are shared by the members of a cluster (Kozlenkova et al., 2014). Because of this, members of the cluster are able to collaborate with one another, which can have a direct impact on a company's competitive advantage (Fussel et al., 2006). According to the findings of Inkpen and Tsang (2005), social capital is an intangible resource that motivates individuals to work together toward the achievement of shared objectives. The engagement of network partners, consumers, and workers in order to uncover connections, and possibilities, and take advantage of them is essential to building social capital, which possesses special and prestigious features (Farsi et al., 2013). cultivate their businesses' intangible resources.

The shareholder wealth maximization (SWM) Theory

Shareholders' wealth maximization (SHWM) is the degree of the level of cost-effectiveness of the ordinary shareholders' investment and image of the competencies of the managers in utilizing the available resources for value creation (Apollo & Edamolla,2020).

The administration cares about the efficient and effective submission of assets in line with the company's purpose to enhance the business via development and increase effectiveness (Shodiya, Sanyaolu, Ojenike, Ogunmefun, 2019). Micro variables, such as customer satisfaction, budget management, and capital expenses, that affect shareholders' returns are managed by the company (Metz, Ilieș, & Nistor, 2020). Several studies have been conducted, each employing a different set of indicators to gauge the financial well-being of shareholders. Accounting profit was used as a guidepost in similar research (Chaleeda, Tunku, & Anas, 2019; Khan, Shaikh, Shah, Zahid, & Shaikh, 2017; Tan & Hamid, 2016) to quantify the wealth of stakeholders. Several research, like Asia & Ratan, (2019) and Arowosegbe & Emeni, (2001), have found that it is a reliable indicator of the owners' financial well-being (2014).

2.3 Empirical literature

2.3.1 Firm Size and Financial Performance

Firm size is frequently used as an important major firm feature (Dang et al., 2018). The main autonomous variables of this study are the size indicator which is business assets, employees employed by the business, and the number of branches that have been used as firm size indicators.

Hossain (2019) investigated the impact of firm size in determining the financial performance of commercial banking companies in Bangladesh. The drive of this research was to determine the nature of associations among firm size, age of the business, independent directors on board, and financial performance of banking companies in Bangladesh. The study established that firm size is an important instructive variable in determining business success.

Researchers Ngumo et al. (2017) investigated to discover the elements that impact the corporate financial performance of microfinance banks in Kenya. The research was conducted over five years.

The gathered data were analyzed using correlation and regression, and the findings demonstrated a link that can be considered statistically significant between the size of the firm and its financial success.

Cheng, Chen, and Chen (2018) investigated the connection between the size of auditing firms and their overall performance. The census report of audit companies in Taiwan from 1989–2006 served as the primary source for the empirical data used in this study. According to the study's findings, the size of the auditing company had both a direct and an indirect impact on performance.

Olawale et al. (2017) also investigated the effect of firm size on firm performance in Nigeria. They did so by using a panel data set consisting of 12 non-financial businesses active in the country between 2005 and 2013.The study established that the size of the business had an effect that was counterproductive on performance measured in terms of total assets. However, it positively affected performance measured in terms of total revenues.

Obigbemi et al. (2015) analyzed the financial data of 137 firms in Nigeria's financial and non-financial sectors to evaluate the role of financial performance and firm size in the voluntary disclosure of Nigerian companies. This evaluation was carried out to determine how important these factors are. In order to investigate the nature of the connection between the corporate governance disclosure procedures of Nigerian businesses and the size of those businesses, they utilized a form of analysis known as weighted logistic regression. According to the study's findings, a strong positive association between firm size and voluntary corporate governance disclosure was found to exist. The influence of a company's size on its liquidity was investigated by Mohamed (2015) using a sample of 18 Tunisian banks from 2000 to 2010. According to the study's findings, the size of a company does not significantly impact a bank's liquidity.

Mejja and Josipa (2016) researched to determine firm size's influence on financial performance. They concluded that firm size had a considerable beneficial effect on firm profitability. Using secondary data using SPSS regression analysis, Abondo (2013) investigated the influence of the firm's size on the financial performance of deposit-taking MFBs between 2008 and 2012. This was done to demonstrate the relationship between the independent and dependent variables. According to the findings, the variables considered independent have an effect on the profitability of commercial banks in Kenya. In a separate study, Dogan (2013) investigated how the size of a company affected its profitability. According to the findings of the investigation, there was a connection between the indicators of the company and the profitability of the company.

According to the findings of Mukras and Nzioka's (2015) research, a company's size and performance are correlated. This suggests that larger companies are likely to have a higher level of performance. On the other hand, research conducted on enterprises in the UK found that their size had a negative and noticeable effect on their performance. This indicates that small organizations may experience fewer agency concerns and have a structure that is more adaptable to handle change as a result of this. They continued by stating that management efficiency is a reflection of management's capacity to efficiently deploy resources and that management efficiency can be quantified using financial ratios. The greater the ratio, the better the management in terms of the organization's ability to maximize asset utilization, operational efficiency, and revenue production.

Based on the previous studies that were carried some found firm size had a significant effect while others there was no significant effect on company financial performance. Motivated by the findings, there was a need for further study to establish whether firm size affected the financial performance of SMEs audit firms.

H_0: Firm size has no significant influence on financial performance

2.3.2 Audit quality and Financial Performance

Audit quality (AQ) is an essential instrument in organizations since it contributes to increased accountability and transparency, both in the private and public sectors. AQ may be broken down into two categories: the first is identifying mistakes and inaccuracies in the company's financial records, and the second is keeping a record of these mistakes and inaccuracies (Matoke & Omwenga, 2016). To evaluate aspects of audit quality such as audit size, audit hours, audit fees, reputation, lawsuit rate, and discretionary accruals, researchers have employed a variety of methodologies including Bogale (2016), Hassan (2015), Yi-Fang, Lee-Wen, and Min-Ning (2015), among others. This is because these characteristics are, for the most part, unobservable. Some instances include Bogale (2016), Hassan (2015), Yi-Fang, Lee-Wen, and Min-Ning (2015). Bogale (2016) and Hassan (2015) also come to mind (Krishnan & Schauer, 2000). According to Iliemena and Okoye (2019), one of the primary dangers that investors face is the failure of auditors to detect substantial misstatements in the financial statement, which calls into question the reliability of financial statements. As a result, there is a pressing requirement to emphasize audit quality.

Researchers Ugwunta, Ugwuanyi, and Ngwa (2018) used regression and covariance analyses to investigate the influence of audit quality on share prices in the Nigerian oil and gas sector. Their findings were published in the journal Ugwunta. The study's findings led to the conclusion that the makeup of audit committees and the types of auditors used substantially impacted the market values of listed companies. According to the findings of the covariance analysis, the market price of shares has a significant association with auditor type, auditor independence, and the makeup of the audit committee; nevertheless, the market price of shares has a negative link with audit tenure.

Using Pearson correlation and pooled regression analysis, Sayyar and Basiruddin (2018) investigated the influence of audit quality on company performance for Malaysian listed businesses from 2003 to 2016. Their research focused on the period from 2003 to 2016. According to the study's findings, audit quality representations include audit fees and audit firm rotation. The return on assets and Tobin's q were utilized as performance metrics for the company. According to the investigation findings, there is no substantial connection between ROA and audit quality proxies (audit fees and audit firm rotation). According to another research finding, an audit fee has a solid and favorable relationship with Tobin's Q. On the other hand, the rotation of audit firms has no significant impact on Tobin's Q.

The capacity of the responsible auditor to render an audit opinion that is in line with the company's current financial standing and its operational results is an essential component of audit quality (Chikwemma, 2019).

Based on the mixed findings of the effect of audit quality in the previous studies relating to different companies in various countries and sectors of the economy, this motivated further study on the audit quality based on SMEs audit firms to find whether the is a significant relationship on audit firms financial performance and audit quality.

H_0: Audit quality has no significant influence on financial performance.

2.3.3 Management Support and Financial Performance

Total Quality Management (TQM) is a management philosophy that seeks to achieve ongoing improvements in quality, dependability, and productivity by minimizing and eventually eradicating the variances that occur during the production processes of service delivery systems. It takes into consideration advancements in all facets of the organization, with the end goal being to preserve the same degree of progress across all levels (Garcia-Bernal, J., & Ramirez-Aleson,2017).

It concentrates on the building of an organizational environment in which workers are dedicated to continuously improving the product and service quality for corporate consumers. This environment is then made available to those employees who are responsible for making it happen (Sila, 2018; Shafiq et al., 2017). According to the research that has been done, the support of the top management is a significant component that affects how effective the audit is. Wahome, Simiyu, and Mwirigi (2017) conducted research for their study in which they explored the role that top management support practices play in a selection of steel manufacturing businesses and the effect these practices on financial performance. For this investigation, a descriptive survey research methodology was utilized for the data collection process, and qualitative and quantitative information was gathered. Using questionnaires with predetermined questions was the approach used to obtain the data. According to the study's findings, the overall performance of steel manufacturing businesses in Kenya is significantly impacted by the support strategies put into place by senior management. According to Khudhair et al. (2019), applying Total Quality Management positively correlates with improved financial performance. However, some studies indicate that the impact of TQM on financial performance is more pronounced in smaller businesses (Bu & Cao, 2015). The backing or leadership of top management, a focus on the customer, effective process management, employee engagement and empowerment, continuous improvement, and continuous improvement are all examples of soft TQM aspects.

The top management plays a primary role in directing personnel in the company's many departments to concentrate on customer needs. Customer attention refers to all workers' capacity and willingness to respond promptly to the demands and necessities posed by consumers. According to the findings of Gavareshki et al. (2019), the two primary objectives of Every commercial enterprise should be to maintain viability in cutthroat marketplaces and to maximize profits.

In order for a company to realize its objectives, it must place a greater emphasis on providing attentive service to its clientele.

According to Shafiq et al. (2017), adequate implementation of TQM methods within the educational sector may have the potential to considerably influence the overall performance of higher educational institutions. In addition, Gars-Bernal and Ramirez-Aleson (2015) found a favorable correlation between quality management strategies and the success of the business. This was true for both manufacturing and service firms.

Omogbiya and Addah (2016) conducted research to determine how the performance of the Nigerian brewery business was affected by the quality management strategies that were used. Respondents from the Brewery's industrial understudy were chosen at random using the Yaro Yarmane algorithm, and a standardized questionnaire was utilized to collect data from those respondents. The questionnaire was then delivered to those respondents. According to the findings, there is a correlation that can be interpreted as both positive and substantial between the application of leadership support strategies and an improvement in the organizational return on investment, a reduction in product wastage, and an increase in customer satisfaction.

The purpose of the research undertaken by Ahumuza (2016) in Uganda was to examine the effects of implementing a Quality Management System (QMS) based on ISO 9001 on service delivery in the road sector, using PROME as a case study. The results indicated that senior management must develop, share, and sustain quality management targets and values for an organization's quality management system to be effectively implemented. So long as this holds, we may consider the system to have been effective. Mwaniki and Bichanga (2014) studied the impact of top-level dedication on the bottom line at the National Bank of Kenya and elsewhere in Kenya's banking industry.

It was demonstrated that there was a positive correlation between senior management involvement, process and supplier relationships, and financial performance. The company's bottom line suffered as a result of the close relationships it maintained with its clientele.

The f-test and a low coefficient of determination both pointed to the existence of a weak association between the variables, which was confirmed by the regression analysis. The study comes up with several suggestions for improving financial performance by increasing top management involvement, improving the efficiency of processes, and cultivating better connections with suppliers. The gap that was established by this study was due to the fact that it focused on financial success, whereas the current study is more concerned with operational performance.

Ndunge (2014) did an investigation into the quality improvement techniques and business performance of commercial state enterprises operating under Kenya's Ministry of Health. According to the findings of the study, one of the most important factors determining whether or not quality improvement system practices are successful is the degree to which management is committed to and supports the implementation of a whole quality environment.

Based on mixed findings on management support and financial performance in past studies further study was important on the management support and effect on the financial performance of SMEs audit firms to examine whether there is any relationship between the variables.

Hypothesis:

H_0: management support has no significant influence on financial performance.

2.3.3 Liquidity and Financial Performance

The practice of managing an organization's short-term assets and commitments in order to maximize profitability and minimize risk of failure is referred to as liquidity management.

When making decisions, Kenya's small and medium-sized firms must pay careful attention to the correlation between the management of their working capital, their liquidity, and their level of financial performance (Chasha, Kavele, & Kamau, 2022). The capacity of a business to achieve its objectives in a relatively short amount of time is known as its liquidity (Bhunia, 2010). The ratio of assets classified as liquid to total assets and deposit advances made by companies are the primary indicators of a company's liquidity (Liargovas & Skanda, 2008).

Addo (2017) found that effective financial management methods, which include cash budget management procedures, working capital management practices, risk management, and the size of the firm, will significantly increase a company's financial performance.

The research conducted by Kong, Musah, and Agyemang (2019) investigated the relationship between financial performance and liquidity. It was correlational research since its primary objective was to investigate the ways in which the firm's liquidity was connected to its overall viability. The method of correlation coefficient in Pearson Product-Moment led to the discovery that the financial performance of the company is significantly impacted by the liquidity based on the assessment of Return on Assets. This was the conclusion that was reached as a result of the research conducted (ROA)

Arnold (2018) found that a lower level of net working capital is indicative of both an increase in profits and an increase in the firm's risk of insolvency. This is because a lower level of net working capital results in a reduction of funds that are, in the long run, movable to assets that have fewer profits. In this scenario, achieving the level of optimal liquidity should result in improvements to the decision-making process of the company, which should ultimately lead to improved financial performance.

According to Njanja and Pellisier (2018), better financial performance is a reflection of how management is efficient and effective in utilizing the resources of their firm, which is presented in terms of financial performance in terms of sales, profits, and stock pricing. This is the case because better financial performance reflects better management. Controlling multiple tools in the economy in an orderly and efficient manner has a direct influence on the financial performance of enterprises. The liquidity advantage to an institution's performance leads to the conclusion liquidity helps in the determination of a company's profitability level. Various empirical studies were done by (Gill, Biger & Mathur, 2010; Attari and Raza, 2012; Banos-Caballero, Garcia-Teruel & Mart, 2011). Liquidity is important to the survival of an institution. It affects the reduction of financial costs, sales dynamic changes, and it manipulates on company riskiness. The crucial importance of liquidity shows significant to institution financial performance. Hence, this study proposes the following hypothesis:

H_0: Liquidity has no significant influence on financial performance.

2.4 Knowledge Gap

Duodu, (2019) found out that organization practices have a positive and great impact on the organizational performance of small, medium and large businesses. They used the ability of the SMEs to satisfy their customers and employees as the main factor of measuring the organizational performance. The internal factors help in the speeding up industrial performance in developing countries. However, the effects on Audit firms stay unresolved. Despite this, there has been no resolution about the effects on auditing businesses. Despite the fact that an audit business will, over time, become better in terms of management and complexity, there will still be gaps between the clients and the management, which will result in the underperformance of audit firms. Research conducted in Kenya and elsewhere in the world has focused on determining the effects of various micro factors on the financial success of the clients who have been targeted.

Motivated by this knowledge gap, this research sought to resolve effects of the four micro factors on financial performance of SMEs Audit firms in Nairobi County, Kenya.

2.5 Conceptual framework

The conceptual framework illustrates the variable relationships between the independent factors and the variable that is being studied (the dependent variable). The purpose of this study was to investigate how the financial performance of small and medium-sized audit businesses in Nairobi County is affected by independent factors. The ROA is a measurement used to determine how well a firm is doing financially. The return on assets (ROA) is a financial statistic that displays the proportion of a company's profits that are related to its total assets. The research was planned using a conceptual framework that elucidated the nature of the link between the independent factors and the dependent variables, as seen in the following diagram:

Figure 2.5 Conceptual framework

2.6 Operationalization of Variables

Operationalization is a process that involves the measurement and spelling out of a concept. It includes identification of research processes that will be useful in gathering information.

Table 2.1 1 Operationalization of Variables

Variable	**Type of variable**	**Measurement**	**Measurement scale**	**Analysis tool**
Financial Performance	Dependent	Profitability	Interval	Descriptive and use of regression
Liquidity	Independent	Working capital	Intervals	Descriptive and use of regression.
Management Support	Independent	Management practices	Intervals	Descriptive and use of regression.
Company Size	Independent	Number of employees, branches	Intervals	Descriptive and use of regression.
Audit quality	Independent	Audit Reports	Intervals	Descriptive and use of regression.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

Within the context of this research study, this chapter delves into the specifics of the technique. It focused on the study design, the population intended to be studied, the sampling method, the technique for collecting data, and the analysis of that data. The research design may be considered an overarching blueprint detailing how the research effort is carried out. In their most basic forms, research designs may be categorized into one of three categories: experimental research design, descriptive research design, and experimental (or causal) research design. The nature of the issue being investigated should guide the selection of an appropriate research strategy.

A research methodology is a strategy that may be used to address a research issue methodically. Research methodology is the subject of its own field of study, known as a research methodology. In its most basic form, the methodology refers to the process researchers follow to accomplish their goals of describing, analyzing, and forecasting phenomena. Its purpose is to outline a work plan for the research.

3.2 Research Design

Study design comprises the creation of circumstances essential for gathering and assessing field data that aims to combine relevance to the research objective with the economy in technique. This is done to maximize the likelihood of successful research (Kothari,2004). The research design used in this study was a descriptive one. Finding out the "what," "where," and "how" of a studied phenomenon is the primary focus of the descriptive study technique (Mugenda & Mugenda, 2008).

This phase of carrying out a descriptive survey entails either identifying the observed variables or investigating the potential links between the various occurrences. This study investigated the factors that impact the financial performance of Small and Medium-Sized Enterprises (SMEs) Audit Firms in Nairobi County, Kenya. The objective of the descriptive survey was to find specific information about the full data set being studied. The survey results tend to be more concentrated and specific because surveys help identify certain characters in a research project.

3.3 Target Population

The absolute number of individuals a researcher plans to work on in a given group is referred to as the target population (Kothari, 2011). The term "population" refers to a set of components that share certain qualities and are generalized Sekaran (2013). As a result, the target population is the quantity intended to lend a hand in the research process by assisting with analyzing the data collected. The quantity of the entire collection that the researcher wishes to have under control to obtain accurate information is why the researcher has to have access to the target population. For this study, the population consisted of the 90 SMEs Audit Firms that are now operating in Nairobi County.Because the population was relatively low and easy to administer, the census method was used for this investigation.

3.4 Data Collection Instrument

This study used primary data, which was collected through the administration of questionnaires as the source. The elements that are new to the problem that is being studied are the primary data (Louis, 2007). The questionnaire questions were graded on a five-point "likert" scale. Strongly disagree, disagree, neutral, agree, and strongly agree are all possible options for the five-point Likert scale's interval scale. Such a scale can quantify how strongly one agrees or disagrees with a statement.

Likert scales are the most accurate and reliable for assessing beliefs, actions, perspectives, and values. Using Likert scales facilitates the process of translating qualitative responses into quantitative measures. Both open-ended and limited-choice questions were used.

The questionnaire worked well to describe the frequency, aptitude, magnitude, and impacts of internal variables on the profitability of businesses. Following the procedure outlined by Orodho (2009), who claimed that a questionnaire is a research instrument used ie gathering data, the appropriateness of a questionnaire for this study was evaluated to determine whether or not it should be employed. This enables a measurement to be taken in favor of or against a particular position. In addition to this, Orodho (2009) underlines the fact that a questionnaire can collect a significant amount of data in a predetermined length of time. In the field of research, questionnaires have the advantages of being simple to administer, giving respondents the time to consider their answers thoroughly, and being free from prejudice. The drop-and-choose approach was an option to explore when the respondents were too busy to complete the survey. Therefore, it appears to be difficult to simplify the collection of data. The questionnaire has sections that offer background information on the company's officials, who are the participants in the study as respondents. Some closed Yes/No questions were included in the background information. Topics covered included age, gender, academic qualifications, and number of years spent working for the company.

With the use of likert scale items included in the survey, we were able to determine the extent to which each individual micro element has an impact on the profitability of businesses. The items on the Likert scale were used to analyze the micro factors that influence the expansion of small and medium audit firms in Nairobi County.

The items on the Likert scale are categorized as strongly agree (SA), agree (A), neutral (N), disagree (DA), and strongly disagree (DA), respectively (SD). The following allocation of numerals was used so that the mean (M) and standard deviation (SD) from the likert scale items could be calculated: SA=1, A=2, ND=3, D=4, and SD=5.

3.5 Data Collection

Data collecting refers to the process of amassing real-world facts and figures with the purpose of expanding one's knowledge and contributing to ongoing investigations of research problems (Flick, 2009). According to Mugenda (2002), data refers to all of the information that was gathered by a researcher while the study was being conducted. Data collection refers to the process of obtaining information through a variety of different types of research (Creswell, 2002). According to Burns and Grove (2003), the process of collecting data is defined as the accurate and organized methods of gathering information that is relevant to the study's sub-problems. This is accomplished by conducting interviews, observing participants, having group discussions, and looking at histories. In the course of this research, the utilization of a questionnaire was helpful in the gathering of both qualitative and quantitative data for the purpose of analysis. Getting primary data is made easier with the help of the questionnaire. A questionnaire that required self-administration was given to each of the ninety responders. According to Mugenda and Mugenda (2003), the fit option of tools and instrument can be determined by the quality of the subject, the topic under research, the data, and the expected outcomes. The act of systematically obtaining information, such as observations or measurements, is known as data collection. I was able to get first-hand knowledge of the research topic and unique insights into it thanks to the data collecting that I did. This is true whether the study is for academic, governmental, or commercial interests.

Although the approaches and goals of collecting data could differ from one industry to the next, the general process is still substantially the same. Before beginning to collect data, it was necessary to think about the purpose of the research, the kind of data that would be gathered, and the techniques and processes that would be used to collect, store, and analyze the data so that it is relevant.

In addition to reducing the potential for researchers to be biased in their findings, the fact that questionnaires are so easy to administer enables respondents to take all the time they need to provide the response that best represents them. The drop and choose method was utilized in situations where the respondents were extremely busy.

3.6 Pilot Testing

For the purpose of ensuring that the acquired data helps answer the research questions and that the study objectives are met, pilot testing is carried out (Saunders, Lewis & Thornhill 2012). According to Newing (2011), pilot testing is an essential component of research. When using questionnaires, certain aspects were difficult for certain respondents to interpret and analyze, which led to results that were not very useful. According to Cooper and Schindler (2006), the significance of pilot testing lies in its ability to pinpoint current limitations in the implementation and design of a project, hence providing more opportunities for the collection of data using a probability sample. In the field of research, a pilot test is a limited-size preliminary study that serves the purpose of validating an intended research study prior to its implementation on a larger scale. This more limited research will often adhere to the exact same techniques and procedures as its more comprehensive cousin. The fundamental objective of a pilot study is to determine whether or not the intended more extensive investigation can really be carried out. The importance of pilot testing is that it allows researchers to test the validity of their research as well as the reliability of their instruments.

After pilot testing, modifications, and sampling have been performed on the questionnaires, the research will have a deeper and more relevant understanding of the results (Saunders, Lewis & Thornhill, 2012). In this project, a pilot study was utilized to test the validity and reliability of the questionnaire that was used in the data collection process. The significance of the pilot study lay in the fact that it was used to determine the precision and suitability of the research design and apparatus (Saunders, Lewis &Thornhill, 2007).

3.7.1 Reliability Instruments

According to Hussey and Collis (2009), dependability can be defined as the degree to which a number of independent researchers reach the same level of consistency, wordings, or other types of data. It is also possible to describe it as the level of consistency provided by a researcher for similar conclusions at multiple time frames. This is another possible definition. Reliability Instrument is a way of ensuring that any instrument used for measuring experimental variables gives the same results every time.

The primary objective of the reliability test is to process the provided questionnaire in order to verify that the responder does not have any underlying difficulties when answering the provided questions. The necessity for an evaluation of the validity of the questionnaire and the correctness of its data collection is provided by reliability. Baker, Veit, and Powell (2001) emphasize that the sample size is contingent upon the amount of time available, the amount of expense incurred, and the feasibility of the piloting test. The same would cover a percentage ranging anywhere from five to ten of the primary survey. According to Cooper and Schindler (2006), while determining the validity and reliability of the instruments being tested, it is not necessary for the respondents in a pilot test to be statistically selected.

3.7.2 Validity of Instrument

According to Gatara (2010), validity is the degree to which a measurement assesses what is theoretical. Gatara also adds that validity is a level. The validity of a research instrument is determined by the proportion of times that it produces results that are consistent with one another.

According to Mugenda & Mugenda (2003), legitimacy denotes to the accuracy and comprehension of conclusions, which are mostly based on the findings of research. In addition, validity refers to the guarantee that a questionnaire will answer the questions it was designed to ask (Bryman & Cramer 1997). Validity is defined here as the degree to which a comparison can be made between the clarification of the phenomena and the realities of the world. With absolute validity, it presents difficulty in its establishment; therefore, it is vital to demonstrate the validity when conducting research (Bowling, 1997). In this line of investigation, both construct validity and content validity are taken into consideration. In order to establish construct validity, the questionnaire was subdivided into a number of sections. These sections were designed to guarantee that each section addresses a particular purpose, and that they also correspond to the theoretical underpinnings of the study.

3.7 Data Processing and Analysis

A researcher is able to find the significance of the data as well as the structure of the data through the process of data analysis (Sekaran & Bougie, 2013). When doing the analysis of the data, the SPSS program was taken into consideration. According to Kothari (2011), the procedure for processing the data included coding, editing, and tabulations. This approach was carried out in accordance with his findings. Excel was utilized for the coding process, and SPSS was utilized for both the regression analysis and the final stage of tabulation, which consisted of table-based displays of the results. It enables the figures to appear clearly and allows for straightforward interpretation (Kothari, 2004).

Quantitative approaches were utilized so that a conclusion could be drawn regarding the connection between the variables. In addition, a few diagnostic analyses were performed on the data.

3.8 Diagnostic test

The data was taken through diagnostic test in measuring the Heteroskedasticity, Normality test, and multicollinearity.

3.8.1 Heteroscedasticity

The absence of a consistent error variance is known as heteroscedasticity (Gujarati, 2003). Because of this, it is difficult to make standard errors biased, which ultimately results in bias or unsatisfactory test statistics and confidence intervals (Wooldridge, 2002), It occurs when the standard deviations of a predicted variable are connected to the values of an independent variable that was measured in earlier periods. The likelihood ratio test is the procedure that is used most frequently to measure whether or not there is heteroscedasticity in the data (Oscar, 2007). It frequently manifests itself in either a conditional or an unconditional form.

Conditional heteroskedasticity can determine that there is no persistent volatility connected to previous periods, such as daily volatility.

The term "unconditional heteroskedasticity" refers to changes in volatility's general structure that are not tied to the period's volatility in the previous period.

When it is possible to forecast upcoming periods of high and low volatility, unconditional heteroskedasticity is applied.

3.8.2 Normality

It is reasonable to anticipate that the assumption that the data would adhere to a normal distribution will have the most weight in the overall significance of the regression analysis. Calculations of skewness statistics were performed to check that the data followed a normal distribution. Skewness is a measurement used to assess the degree to which the value distribution deviates from symmetry around the mean, which was also evaluated. This was done by determining the degree to which the value distribution deviates from symmetry around skewness.

A normality test is used to verify whether or not the population from which a sample of data was collected was normally distributed. It is often carried out to determine whether or not the data involved in the research have a normal distribution. Many statistical techniques, including correlation, regression, t-tests, and ANOVA, as well as parametric tests, are predicated on the assumption that the data involved follow a normal distribution. The most important statistical probability distribution for independent random variables is the normal distribution, also known as the Gaussian distribution. The bell-shaped curve, frequently seen in statistical reports, will be recognizable to most researchers as this. When dealing with continuous variables, normal distributions are the way to go. It is a type of probability distribution that is symmetric around the mean so that the right side is a mirror image of the left side. This shows that the data that are closer to the mean occur more frequently than those farther away from the mean. The area represents the probability under the normal distribution curve, and the whole area under the curve adds up to one.

The values of the mean, median, and mode values are identical in a normal distribution. Furthermore, these three statistics point to the same point on the curve..

3.8.3 Multicollinearity

Multicollinearity is the condition that occurs when the levels of precision that exist between the independent variables are high; this allows for one variable to be related from the other variables. It was determined whether or not there was any Multicollinearity using the variance inflation factors (VIFs) and correlation coefficients. Because of the presence of Multicollinearity, the regression coefficients are affected, which leads to instability as well as difficulties in data interpretation, which ultimately leads to erroneous significance tests (Cooper & Schindler, 2006).

In a model that is based on regression, one of the most important assumptions is that the independent variables, also known as the explanation variables, should not be connected with one another. in order to comprehend the rationale behind the formation of this presumption in the first place. The primary goal of a regression equation is to tell, using the regression coefficients, the individual influence that each of the explanatory factors has on the dependent or target variable. The regression coefficients are what capture this information.

The average change in the dependent variable that results from a one-unit shift in one of the explanatory variables, with all other explanatory variables held constant. This is what is meant by the term "regression coefficient." As a result of the fact that the explanatory variables are linked with one another, it will be impossible to separate the individual effects that each has on the variable of interest. Multicollinearity is the name given to this particular issue.

The following fundamental problems are caused by multicollinearity, as listed below:
The estimated coefficients will have a significant variation when multicollinearity is present, and as a result, the estimates of the coefficients that correspond to the explanatory variables that are connected will not be accurate in providing us with an accurate picture of the situation. They have the potential to become very sensitive to relatively little alterations in the model.

3.8.6 Analytical model

Three independent variables were taken into consideration in the multiple linear regressions for the audit firms. The presentation was presented as follows:

$Y = \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta_4 X4 + \varepsilon$

Where;

Y = Audit firms Performance

β_1, β_2, β_3, β_4 = coefficients of Regression

α = Y intercept/ Constant

X_1 = Audit firm Size

X_2 = Audit quality

X_3 = management support

X4=Liquidity

ε = error term.

3.8.7 Test of significance

The significance of the regression was determined by using the F-test with a confidence level of 95 percent, and the coefficient of determination (R2) was utilized in order to ascertain the level of variability in the dependent variables that could be attributed to the independent variables. The significance of the variance was evaluated at a level of 5 percent.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS, AND DISCUSSION

4.1 Introduction

This chapter provides a summary of the study's findings and interpretations of those findings, using the research objectives as a guide. The information gathered for the study was analyzed utilizing statistical, descriptive, and regression methods respectively. Descriptive statistics were used to assess the respondent profiles, and regression analysis was performed to determine the influence of micro variables on the financial performance of small and medium audit organizations in Nairobi County. Both studies were conducted in Kenya. The analysis of variance (ANOVA) was used to investigate whether or not there was a connection between the independent factors and the dependent variable.

4.2. Response Rate

Practitioners working for small and medium-sized audit businesses in Nairobi County were handed questionnaires that Seventy Eighty (78) filled out. According to Garg and Kothari (2014), a more than 70 percent response rate is considered outstanding. The overall response rate was 87 percent, which is a good figure. This conforms to their argument that a more than 70 percent response rate is excellent. This impressively high response rate can be linked to the data collection method utilized in the survey. This method consisted of providing all respondents with a briefing on the goal of the study and the information sought by the questionnaire.

Table 4.1 Response Rate

	Frequency	Percentage
Response	78	87
Non-Response	12	13
Total	**90**	**100**

4.3 Demographic Information

Gender, level of education, and duration of working in SMEs audit firm sector are the demographic characteristics that this study sought. Objective characteristics such as demographics can be used to assess the strength of responses to a particular topic.

4.3.1 Gender of the Respondents

The study sought to identify the gender of the respondents and before taking part in the survey. The findings are summarized in Table 4.2.

Table 4.2 Gender of the Respondents

	Frequency	Percentage
Male	51	65
Female	27	35
Total	**78**	**100**

According to the data presented in Table 4.2, males account for 65 percent of the total participation, while females account for 35 percent. This suggests that men make up the majority of the staff at the small and medium-sized audit companies in Nairobi County.

However, the majority of audit firms have a gender balance that is appropriate and falls within the range of 30 percent that is mandated by the Kenyan Constitution of 2010. This criteria takes into consideration not just the numbers but also the portfolio balance of how gender is allocated throughout roles in a particular institution.

4.3.2 Education Level of the Respondents

The study aimed to assess the respondent's level of formal education. The aims of investigating the education level of the respondents is to access whether they will be in a position to provide reliable information that this study sought. Participants were asked to specify their educational level, and the results are presented in the table below.

Table 4.3 Education Level of the Respondents

	Frequency	Percent
Diploma level	28	36
Degree level	32	41
Masters level	14	18
PhD level	4	5
Total	**78**	**100**

The degree of education of the respondents was also evaluated by the questionnaire. The degree level was the most prevalent, accounting for 41% of respondents, followed by a diploma level (36%), masters level (18%), and PHD level (5%), as seen in the above table. The study's conclusions show that respondents understood the organizations, as shown by their education level, and gave thoughtful answers because they were familiar with the questions and how to complete the questionnaire.

This can also imply that certification is essential for the firm's successful expansion in the auditing industry. It is hoped that effective training for auditing company employees would result in the delivery of quality services as well as a potential rise in employee accountability.

4.3.3 Ownership of the Firm

The study also aimed to establish the ownership of the audit firms within Nairobi County. The findings of the study were established as presented in table 4. below.

Table 4.4 Ownership of the Firm

	Frequency	**Percentage**
Sole proprietorship	27	35
Partnership	32	41
Ltd Partnership Companies	12	15
Others	7	9
Total	78	100

According to the findings, 35 percent of the businesses targeted were registered as sole proprietorships, 41per cent partnerships 15 percent as limited partnership companies, and 9 percent were established under other categories. The results show that most audit businesses in Nairobi County were partnerships. This could be because partnerships ensure the viability and expansion of the firms by providing high-quality services.

4.3.3 Duration of Firm Operations

The study aimed to ascertain the length of time the firms have been in operation. This assists to determine the experience in auditing field; it also assists in determining the strength and reliability of the data provided.

Table 4.5 Duration of Firm Operations

	Frequency	Percent
0 -5 years	12	15
6-10 years	51	65
Over 10 years	15	20
Total	**78**	**100**

According to the findings, 15 percent of respondents had practiced for 0-5 years, 65 percent had practiced for 6 to 10 years. It is also clear that 20% had practiced over 10 years. This suggests that the majority of respondents have been in the service for a reasonable amount of time and are thus experienced, as shown in Table 4.5.

4.4 Descriptive Statistics

4.4.1 Audit Firm Size and Financial Performance of Small and Medium Audit Firms

The replies based on the numerous indicators of study variables on a Likert scale of 1–5, where 5= Very great extent, 4= Great extent, 3= Moderate extent, 2= Little extent, and 1= No extent, were captured using mean and standard deviation descriptive statistics. As a result, the average answers for each variable are shown in this section, and the standard deviation shows how widely the answers varied. The results indicated that, as indicated by the mean score of 4.32, the majority of respondents believed that larger organizations do better financially than small ones. A mean score of 3.96 indicates that respondents also thought there was a connection between firm size and financial performance. As shown by a mean score of 3.51, the respondent also concurred that the audit firm's size is unimportant when assessing the company's financial performance. Finally, a mean score of 2.55 indicated that respondents had mixed feelings on the significance of audit firm size in predicting financial performance.

Table 4. 6 Audit Firm Size and Financial Performance of Small and Medium Audit Firms

	Mean	STDev
Audit firm size is not a major factor influencing financial performance	2.55	1.3
The size of audit firm does not matter when considering Firm Financial performance.	3.51	1.3
There is a relationship between firm size and financial performance	3.96	1.3
Larger firms have better financial performance than small ones	4.32	1.2

4.4.2 Audit Quality and Financial Performance of Small and Medium Audit Firms

The study's second purpose was to determine the relationship between audit quality and financial performance of small and medium-sized audit companies in Nairobi county. On a scale of 1-5, respondents were asked to score their agreement with several audit quality assertions, with 5 indicating highly effective, 4 suggesting effective, 3 indicating moderately effective, 2 indicating slightly effective, and 1 indicating less effective. Table 4.7 summarizes the findings. The findings indicate that respondents agreed that adhering to auditing standards contributes to and influences the effectiveness of financial performance, and that auditors perform their roles objectively and in accordance with accepted practice criteria, as demonstrated by mean scores of 3.92 and 3.79, respectively. Additionally, respondents agreed that auditors should avoid conflicts of interest on client assignments and that auditors within the firm are qualified to perform the audit job, as evidenced by mean scores of 3.49 and 3.44.

On the other hand, respondents were neutral on the following points: audit references are clearly communicated and their implementation results in control improvements and efficiency, audit employees have the necessary education in auditing, audit standards and related services influence the audit firm's performance, independence is necessary for the audit firm's performance to be effective, and auditors work independently and without interference as illustrated by mean score of 3.35, 3.33, 3.13, 2.83 and 2.46 respectively.

Table 4. 7 Audit Quality and Financial Performance of Small and Medium Audit Firms

	Mean	**STDev**
Audit references are clearly conveyed and their implementation lead to control improvements and efficiency	2.46	1.235
Audit employees have the relevant education in auditing	2.83	1.507
Standards for audits and related services influence performance of the audit firm	3.13	1.097
Independence is necessary for the effective achievement of the firm performance	3.33	1.113
Auditors work self-reliantly and conduct their work without interference	3.35	1.257
The auditors in the firm are qualified to undertake the audit function	3.44	1.392
Auditors may not have conflict of interests on clients assignments	3.49	1.114
Auditors carry out their roles objectively in compliance with accepted practice criteria	3.79	1.049
Working in compliance to auditing standards contribute and influence the effectiveness of financial performance.	3.92	1.182

4.4.3 Management Support and financial performance of Small and Medium Audit Firms

The third objective of the study was to determine the effect of management support on the financial performance of Nairobi County SMEs audit firms. On a scale of 1 to 5, respondents were asked to rate their level of agreement with various statements about management support. Table 4 summarizes the findings. The results indicated that respondents concurred with management's assessment of audit as a critical function and its investment in ICT and other resources, as evidenced by the mean score of 3.55. On the other hand, respondents were split on whether management provides adequate support and training for audit employees and whether management motivates audit employees by rewarding high performers, thereby increasing firm efficiency and financial performance, as indicated by mean scores of 3.37 and 3.36, respectively.

Table 4. 8 Management Support and financial performance of Small and Medium Audit Firms

	Mean	**STDev**
Management provides enough support and training for audit employees	3.36	1.216
Management motivation to audit staff by rewarding high performers hence improving firm efficiency, and financial performance	3.37	1.424
Management applauds audit as a vital department and investing in ICT and other resources.	3.55	1.136

4.4.4 Firms Liquidity and Financial Performance of Small and Medium Audit Firms

Additionally, the study sought to determine the effect of organizations' liquidity and financial performance on small and medium-sized audit firms. Most respondents agreed that management views audit as a critical function and invested in ICT and other resources, as indicated by the mean score of 3.69. Additionally, respondents agreed that management motivates audit staff by rewarding high performers, thereby increasing firm efficiency and financial performance, as indicated by the mean score of 3.47. Finally, respondents were undecided regarding management's ability to give adequate assistance and training for audit employees, as evidenced by the mean score of 3.00.

Table 4. 9 Firms Liquidity and Financial Performance of Small and Medium Audit Firms

	Mean	**STDev**
Management provides enough support and training for audit employees	3.00	1.289
Management motivation to audit staff by rewarding high performers hence improving firm efficiency, and financial performance	3.47	1.224
Management applauds audit as a vital department and investing in ICT and other resources	3.69	1.220

4.5 Diagnostic Test

The study performed diagnostic tests before employing an ordinary least square regression model to assess the study hypotheses. The tests included normality, multicollinearity, heteroskedasticity, and tests. The test findings are presented in the subsections that follow.

4.5.1 Tests of Normality

The assumption of a classical linear regression model requires that the data assume a normal curve (Normal distribution). The Kolmogorov-Smirnova (K-S) test was used to determine the normality of the dependent variable. The null hypothesis in the Kolmogorov-Smirnova (K-S) test is that the data is normally distributed while the alternative hypothesis is that the data is not normally distributed. Since the null hypothesis was not to be rejected, a significance value larger than 0.05 showed that the data was regularly distributed. Table 4.10 displays the results of the Kolmogorov-Smirnova (K-S) test. The results show that the statistics significance for firm size and audit quality was not significant (Sig =0.200>0.05), management support and firm liquidity was significant (sig=0.005 and 0.003) respectively which is less than 0.005. The null hypothesis of regularly distributed data was not rejected. As a result, the data for the two variables was normally distributed.

Table 4. 10 Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
Audit firm size	.088	78	.200*	.971	78	.074
Audit Quality	.081	78	.200*	.975	78	.136
Management Support	.123	78	.005	.964	78	.027
Firm Liquidity	.128	78	.003	.958	78	.012

*. This is a lower bound of the true significance.

a. Lillie fors Significance Correction

4.5.2 Multicollinearity

Multicollinearity refers to a scenario in which the correlation between the independent variables is more than 0.8. The standard errors of the regression model are inflated in this case, resulting in erroneous coefficients for the regression model variables. These values do not indicate how the independent and dependent variables are related. The study tested for multicollinearity using the Variance Inflation Factor (VIF) method, with VIF values less than 10 considered acceptable. The results for the VIF values are shown in Table 4.11 The study's findings indicate that the VIF value for business size is 1.492, audit quality is 2.235, management support is 1.914, and liquidity is 1.751. Because the numbers are fewer than ten, it may be concluded that they do not fulfill the criteria necessary for multicollinearity. It can be deduced from the fact that the tolerance values and variance inflation factor (VIF) values for all of the independent variables in this study are less than 1 and less than 10, respectively, that the independent variables in this study fall within the normal range. As a consequence of this, it is presumed that the design and implementation of the current study do not contain any instances of multicollinearity.

Table 4. 11 Multicollinearity

		Collinearity Statistics	
Model		**Tolerance**	**VIF**
1	(Constant)		
	Audit firm size	.670	1.492
	Audit quality	.447	2.235
	Management	.522	1.914

	support		
	Firm liquidity	.571	1.751

4.5.3 Model Summary

The model summary results as presented in Table 4.12 The R-square displays how well the independent variables explain the change in the dependent variable (financial performance of audit firms) (firm liquidity, audit firm size, management support, audit quality). In this investigation, the R-square value, also known as the coefficient of determination, was 0.768. This means that the four factors account for up to 76.8 percent of the difference on financial performance of SMEs audit firms. Other than the four components studied in this study contributes to 23.2 percent. The model, on the other hand, was a good fit.

Table 4. 12 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.877[a]	.768	.756	.39362

a. Predictors: (Constant), firm liquidity, audit firm size, management support, audit quality

4.6 Regression Analysis

4.6.1 Correlation Analysis

To ascertain the link between the study variables, a correlation analysis was performed. In this examination, the Pearson correlation coefficient was used to determine the link between the variables included in the study. According to Kumar (2011), correlation analysis indicates the direction and strength of the relationship between variables and ranges from -1 to +1. The correlation analysis is summarized in Table 4.13.

According to Table 4.13, firm size has a positive and statistically significant effect on audit firm financial performance in Nairobi County (r = 664 Sig = 0.0000.05). This suggests that a rise in the size of an audit business results in a considerable increase in the number of audit firms in Nairobi County. Additionally, the findings indicate that audit quality has a positive and statistically significant effect on audit company development in Nairobi County (r =0.783, Sig = 0.0000.05).

This indicates that audit quality has a positive effect on the financial performance of audit firms in Nairobi County. Additionally, it was observed that management support had a beneficial and statistically significant effect on the financial performance of audit firms in Nairobi County (r=0.747, Sig = 0.0000.05). This suggests that boosting managerial assistance results in a boost to the audit firm's financial performance in Nairobi County. Firm liquidity was found to have a significant favorable effect on audit firm financial performance in Nairobi County (r =0.578, Sig = 0.000 0.05). This indicates that improving business liquidity promotes audit firm financial performance in Nairobi County.

Table 4. 13 Correlation Analysis

		FP	FS	AQ	MS	FL
FP	Pearson Correlation	1				
	Sig. (2-tailed)					
FS	Pearson Correlation	.664**	1			
	Sig. (2-tailed)	.000				
AQ	Pearson Correlation	.783**	.541**	1		
	Sig. (2-tailed)	.000	.000			
MS	Pearson Correlation	.747**	.447**	.656**	1	
	Sig. (2-tailed)	.000	.000	.000		
FL	Pearson Correlation	.578**	.467**	.602**	.559**	1
	Sig. (2-tailed)	.000	.000	.000	.000	

4.6.2 ANOVA

ANOVA was performed to determine the significance of the regression model that was used. ANOVA demonstrates the distinction between anticipated and actual regression models. The ANOVA findings are shown in Table 4.14. The F statistic was significant (F =60.508, P-Value = 0.000 0.05), showing that the overall regression model was suited for determining the effect of the components (firm liquidity, audit firm size, management support, and audit quality) on audit firm financial performance. The regression model demonstrates the four parameters' applicability as significant determinants of audit business financial performance.

Table 4. 14 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	37.499	4	9.375	60.508	.000[b]
1	Residual	11.310	73	.155		
	Total	48.809	77			

a. Dependent Variable: Financial performance

b. Predictors: (Constant), Firm liquidity, Audit firm size, Management support, Audit quality

4.6.3 Regression Model Coefficients

Table 4.15 displays the regression findings that were utilized to determine the beta coefficients, constants, and their significance. The study determined the model's applicability by applying both P values and critical t values. A variable had a significant effect on financial performance of audit businesses if the p-value was less than 0.05 and the crucial t value was more than absolute 1.96. The null hypothesis was rejected in this instance. Table 4.17displays the regression model coefficients.

Table 4.15 Regression Model Coefficients

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	-.327	.231		-1.411	.163
	Audit firm size	.282	.067	.291	4.228	.000
	Audit quality	.403	.089	.383	4.550	.000
	Management support	.320	.069	.360	4.621	.000
	Firm liquidity	.008	.057	.010	.132	.895

$Y = -0.327 + 0.282X_1 + 0.403X_2 + 0.320\ X_3$

Y = financial performance of audit firms, X_1 = firm size, X_2 = audit quality, X_3 = management support,

Other components (firm liquidity, audit firm size, management support, audit quality) are held constant at zero in the regression model, suggesting that the financial performance of audit firm is negative at -0.327. However, the financial performance of audit firm improves with the introduction of a business liquidity, audit firm size, management support and audit quality.The results also reveal that the business size has a positive and statistically significant effect on the financial performance of SMEs audit firms (B = 0.282; t = 4.228, >1.96, = P-Value = 0.000<0.05). The study also proved that audit quality has a positive link with the financial performance of SMEs audit businesses (B =0.403; t =4.550, > 1.96, = P-Value = 0.000<0.05). The findings also reveal that management support have a favorable and statistically significant effect on financial performance of SMEs audit firms (B=-0.320; t=-4.621, > 1.96, P-Value 0.000<0.05). The data reveals that firm liquidity has a positive and insignificant effect on financial performance of SMEs audit businesses (B =0.08; t=0.132, <1.96, P-Value = 0.895>0.05).

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The purpose of the study was to identify the micro elements that have an impact on the financial performance of small and medium audit businesses in Nairobi County. The specific objectives of the study were as follows: to establish the effect that the size of the company has on the financial performance of small and medium audit firms in Nairobi County; to determine the effect that audit quality has on the financial performance of small and medium audit firms in Nairobi County; to discover the effect that management support has on the financial performance of small and medium audit firms in Nairobi County; and to evaluate the effect that liquidity has on the financial performance of small and medium audit firms. In this chapter, you will discover a summary of the study's findings, as well as its conclusions, suggestions, and opportunities for additional research.

All of these topics are discussed in this chapter. In addition to the presentation of the data, the discussion of the findings, which includes comparisons with other research, is included in the summary of the findings.

5.2 Summary of the Findings

5.2.1 Firm Size and Financial Performance of Small and Medium Audit Firms

The primary purpose of this study was to evaluate the impact that company size has on the financial performance of small and medium-sized audit companies operating in Nairobi County. The descriptive data revealed that larger organizations had stronger financial performance than small ones, and that there is a link between company size and financial performance. Additionally, the data suggested that larger firms had higher employee retention rates.

The results of regression studies showed that the size of the business has a positive and statistically significant influence on the financial performance of audit businesses that are considered to be SMEs. The correlation coefficient shows that an increase in the firm's unit size led to a significant improvement in the financial performance of small and medium-sized audit firms in Nairobi County.

5.2.2 Audit Quality and Financial Performance of Small and Medium Audit Firms

The second goal of the study was to examine the influence that the quality of audits had on the financial performance of smaller and medium-sized audit businesses located in Nairobi County.

Auditors are expected to carry out their work in an objective manner that is in accordance with the accepted practice criteria. The descriptive data revealed that working in conformity with auditing standards contributes and influences the efficacy of financial performance. Regression analysis indicated that there is a positive connection between audit quality and the financial success of audit organizations that are classified as SMEs. According to the correlation coefficient, an increase in the audit quality per unit led to a significant improvement in the financial performance of audit firms in Nairobi County. The correlation coefficient shows that an increase in the quality of audit units led to a significant increase in the number of small and medium-sized audit businesses in Nairobi County.

5.2.3 Management Support and Financial Performance of Small and Medium Audit Firms

The third goal of the research was to investigate the impact that managerial assistance has on the economic success of small and medium-sized audit businesses in Nairobi County. The descriptive data revealed that management recognizes audit as an important department and applauds the department's investment in information and communication technology as well as other resources.

The results of regression studies indicated that management support has a positive and significantly statistically significant influence on the financial performance of audit organizations that are classified as SMEs. The correlation coefficient shows that an increase in the amount of management support per unit led to a significant growth in the number of small and medium-sized audit businesses in Nairobi County.

5.2.4 Firms Liquidity and Financial Performance of Small and Medium Audit Firms

The fourth objective was to investigate the influence of firms' liquidity on financial performance of small and medium audit firms in Nairobi County. By rewarding high-performing audit staff, the management motivates the audit staff to improve the efficiency and financial performance of the company. Firm liquidity has a small but positive impact on the financial performance of small audit firms, according to regression analysis. Audit firm financial performance in Nairobi County is not strongly correlated with an increase in a firm's liquidity, according to a correlation coefficient.

5.3 Conclusions

Based on the findings, The study finds that the financial performance of small and medium-sized audit businesses in Nairobi County is influenced by firm size. The descriptive data indicated a relationship between firm size and financial performance, with larger enterprises outperforming smaller ones. According to the study, firm size has a favorable and statistically significant effect on the expansion of small and medium-sized audit businesses. According to correlation coefficient findings, growing the unit size of an auditing firm has led to a noticeable increase in audit firms in Nairobi County.

The study's findings demonstrate that auditors who adhere to auditing standards carry out their duties impartially and in line with widely recognized practice standards, which has an impact on the financial performance of small and medium audit businesses. The study also discovered a link between the expansion of small and medium-sized audit businesses and audit quality.

According to the report, audit firm financial performance in Nairobi County significantly increases for every unit increase in audit quality.

According to the research on the financial performance of small and medium-sized audit businesses, management regarded audit as a crucial division and made investments in ICT and other resources. The study also discovered that SMEs audit firms with managerial support expanded at a statistically significant pace. The study comes to the conclusion that a rise in management support per unit can be linked to the expansion of audit companies in Nairobi County.

The results of this study suggest that small and medium-sized audit firms in Nairobi County, Kenya, can boost their financial performance by encouraging audit staff members and rewarding top performers, which will boost productivity and profitability. According to the study, increased business liquidity benefits small and medium-sized audit firms, however this impact is minimal and insignificant. Finally, the study finds that small and medium audit businesses in Nairobi County's financial performance is insignificantly impacted by a unit rise in their liquidity.

5.4 Recommendations

Based on the study findings, the following recommendations are made: -

The research suggests that firm size rules should not be considered as static documents but rather be evaluated and updated on a regular basis in light of increasing financial limitations. This should be done in order to account for the changing nature of financial restrictions.

Regardless of the size of a SME s audit firms, there are a number of factors and considerations that are particular to the size of the company. These factors and concerns need to be addressed in the Audit firms, and further research is required. The capacity of a company to generate profits is critical to the corporation's continued existence and expansion over the long term.

A firm need to be able to generate sufficient earnings to cover its operating expenses before it can attract the financial backing of shareholders for the purpose of expansion and financial performance.

Auditors who are paid for their services through fees have a strong sense of loyalty to the firm and are highly motivated to ensure that the company receives the maximum value for their money by providing the most effective audit service that is currently available. As a result of this study, regulators and policymakers will have a better knowledge of the significance of audit quality in enhancing financial performance. This understanding will be beneficial to both parties. An organization that wants to discover ways to cut expenses and boost productivity can benefit from conducting effective audits. An effective audit helps protect a firm against potential losses that might have a negative impact on the company's overall financial health. The effectiveness of organization’s audit department has a significant bearing on the state of the company's finances. If auditing possesses traits that are both effective and perceived, which are frequently referred to as apparent quality, then it will have a positive effect on the bottom line.

The attributes of the auditors who conducted an audit of a company are reflected in the financial reports of that company; hence, effective auditing contributes to the success of an organization's operations. In addition, more effective management of earnings may be constrained by higher quality audits, which may, in turn, improve the quality of financial reports and SMEs Audit firms financial performance.

At every level of the organization, there needs to be a clear comprehension, articulation, and implementation of the entire commitment of top management to the organization's procedures. To ensure that the support of top management is manifested in a manner that is readily apparent in the manner in which the company's audits are performed, it is necessary that all employees of the SMEs Audit Firms have common standards and be treated fairly. The establishment of a quality management system should also be a top priority for SMES audit firms.

The recommendation made in the research is for audit firms to increase their operating cash flow in order to have a positive impact on their overall financial performance.

5.5 Areas for further Study

Small and medium audit firms in Nairobi County, Kenya, were the focus of the study, which sought to determine the impact of company size on financial performance, the impact of audit quality on the financial performance of small and medium audit firms in Kenya, the impact of management support on financial performance, and the impact of liquidity on financial performance. Only 23.2 percent of the difference in financial performance of small and medium audit businesses in Nairobi County may be attributed to other factors, including the four examined in this study.

A further investigation into small and medium-sized audit businesses' financial performance in Nairobi County is therefore necessary.

Micro variables and financial performance of small and medium audit businesses in Nairobi County were not tested for possible moderating effects in this study. Political involvement, employee turnover, insufficient funding, resources available and technological progress can all have an impact on the conclusions of a study. Finding out whether such elements can influence the relationship between micro-factors and financial performance of small and medium audit businesses is critical.

This study relied solely on quantitative primary data, which necessitates an investigation into whether similar results may be produced when mixed techniques of research are used. Another method that can be used in other studies is the qualitative analysis of interviews and secondary data, which can provide more in-depth analysis and findings.

Only the county of Nairobi was the subject of this investigation, whereas there are numerous small and medium-sized audit businesses throughout the country. In order to have a good picture of the current situation, a research should be conducted on all small and medium-sized audit businesses in the country.

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APPENDICES

Appendix I: Letter of Introduction

RE: AUDIT FIRMS OFFICIAL

I am a KCA university master's student conducting a research on: Micro factors affecting financial performance of small and medium audit firms in Nairobi County. Ihereby request your willingness to offer information through answering questionnaires to ensure I attain my research objectives as a requirement of my MBA degree.

The information offered will be treated confidentially and used for the purpose of this research only.

The findings and conclusions of the study will definitely aid advance the performance of this business and particularly the effectiveness of initiating and implementing business strategies.

Appreciation is offered as you assist in the establishment of new knowledge to aid both the academy and the industry.

Regards,

……………………..

Peter Waithaka

The Researcher/ Student

Appendix II: Questionnaire

SECTION A: DEMOGRAPHIC DATA

Tick appropriately to responds to the following questionnaires and supply additional information on the spaces provided.

1. Gender
   a. Male ( )
   b. Female ( )
2. Age
   a. Less than 30 years( )
   b. 31-40 years ( )
   c. 41-50 years ( )
   d. 51 years & above ( )
3. Highest level of education
   a. Diploma level( )
   b. Degree level( )
   c. Masters level( )
   d. PhD level( )
4. Registered as a:
   a. Sole proprietorship ( )
   b. Partnership ( )
   c. Ltd company ( )
   d. others ( )

5. Number of years in operation.
    a. 0 -5 ( )
    b. 6-10 ( )
    c. Over 10 ( )

SECTION B: AUDIT FIRM SIZE

Using the scale 1-5, where the numerical numbers mean the following: 1-strongly disagree, 2-disagree, 3- average(neutral), 4-agree and 5- strongly agree please indicate the level of agreement or disagreement with the following statements.

a) Larger firms have better financial performance than small ones

1 ( ) , 2 ( ) 3( ) , 4( ) and 5(**)**

b) There is a relationship between firm size and financial performance.

1 ( ) , 2 ( ) 3( ) , 4( ) and 5(**)**

c) The size of audit firm does not matter when considering Firm Financial performance.

1( ), 2( ), 3( ), 4( ) and 5( )

d) Audit firm size is not a major factor influencing financial performance.

1( ), 2( ), 3( ), 4( ) and 5( )

SECTION C: EFFECT OF AUDIT QUALITY

Please tick the extent to which you agree with the following statements

Statement	Agree			Disagree	
Professional skill	5	4	3	2	1
a) Audit employees have the relevant education in auditing	5	4	3	2	1
b) The auditors in the firm are qualified to undertake the audit function	5	4	3	2	1
	5	4	3	2	1
Firm independence	5	4	3	2	1
a) Independence is necessary for the effective achievement of the firm performance	5	4	3	2	1
b) Auditors may not have conflict of interests on clients assignments	5	4	3	2	1
c) Auditors work self-reliantly and conduct their work without interference	5	4	3	2	1
Quality of audit work (standards)	5	4	3	2	1
e) Audit references are clearly conveyed and their implementation lead to control improvements and efficiency	5	4	3	2	1
f) Standards for audits and related services influence performance of the audit firm	5	4	3	2	1

g) Working in compliance to auditing standards contribute and influence the effectiveness of financial performance.	5	4	3	2	1
h) Auditors carry out their roles objectively in compliance with accepted practice criteria	5	4	3	2	1

SECTION D: EFFECT OF MANAGEMENT SUPPORT

Please tick the extent to which you agree with the following statements

Top management support	**Agree**		**Disagree**		
a) Management provides enough support and training for audit employees	5	4	3	2	1
e) Management applauds audit as a vital department and investing in ICT and other resources.	5	4	3	2	1
f) Management motivation to audit staff by rewarding high performers hence improving firm efficiency and financial performance	5	4	3	2	1

SECTION E: EFFECT OF FIRMS LIQUIDITY

Statements	Strongly Disagree [1]	Disagree [2]	Neutral [3]	Agree [4]	Strongly Agree [5
Liquidity of an audit firm can enhance Performance of an audit firm or its profitability.					
Liquidity of a firm is measured by financial statement ratios such as liquidity, profitability among other factors					
The number of sources of income per year of an audit firm affects its liquidity					

Appendix III: List of Audit firms

1.Adrec & Co

Kipro Centre, Westlands

P.O. Box 21889 - 00100 Nairobi Telephone: +254790438083, Email: Adrecltd@Gmail.Com

2.A Adan And Associates

Standard Building

P.O. Box 105711 - 00101 Nairobi Telephone: 0722327133, Email: Doyows@Yahoo.Co.Uk

3.A. A. Ali Cpa Llp

Rcp,Elgon Road-Upper Hill,Nairobi

P.O. Box 19470 - 100 Nairobi Telephone: 723666555, Email: Partners@Aaalicpak.Com

4.A. K. Wachira & Associates

Kenda House,3rd Fl, Rm C5 - Tom Mboya St.

P.O. Box 34278 - 00100 Nairobi Telephone: 722638864, Email: Wachiraamos@Hotmail

5.Aam Resources

13 Chiromo Lane, Westlands

P. O. Box 45931, - 100 Nairobi Telephone: 3749884, Email: Mihir@Resources.Co.Ke

6.Ababsy & Associates

Lornho House, 11th Floor, Standard Street

P.O Box 8192 - 200 Nairobi Telephone: 0790788520/0725948988, Email:

Abdi78@Gmail.Com/Info@Ababsy.Co.Ke

7.Abdirizack Bishar Aress & Associates

Salama House 3rd Floor

P.O. Box 567 - 00622 Nairobi Telephone: 0710429429, Email: Arres30@Hotmail.Com

8.Abdulbasid & Associates

17th Floor, Viewpark Towers

P.O Box 103976 - 101 Nairobi Telephone: 254 717279888, Email:

Info@Ashfordfinconsulting.Com

Appendix III: List of Audit firms

9.Abdulhamid And Company

Ramco Court

P.O. Box 23005 - 00100 Nairobi Telephone: 0773743642/0722737250, Email: Info@Abdulhamidandcompany.Com

10.Ace Associates

Trv Centre 3rd Parklands Avenue

P.O. Box 10037 - 00400 Nairobi Telephone: 0707688699, Email: Acenbi@Acegroup.Co.Ke

11.Adamjee Auditors

Mbandu Complex, 2 Nd Floor

P.O. Box 17822 - 00500 Nairobi Telephone: 0717908901, Email: Mohsinabdulhussein@Gmail.Com

12.Adow Ibrahim & Associates

Standard Street

P.O. Box 48223 - 00100 Nairobi Telephone: 0721751402, Email: Adow.Abdi@Gmail.Com

13.Afi & Associates

Nanak House

P.O. Box 37960 - 00100 Nairobi Telephone: +254726296443, Email: Abdiaf@Gmail.Com

14.Afrek & Associates

Eden Square Westlands

P.O. Box 5577 - 00100 Nairobi Telephone: 0732227307, Email: Info@Afrek.Co.Ke

15.Agoro And Associates

Seed House (One), 2nd Floor Room 206

P.O Box 43819 - 100 Nairobi Telephone: 0704021957,0733794885,0721729345,

Email: Agoroandassociates@Yahoo.Com

Appendix III: List of Audit firms

16.Ahmed Hussein & Associates

Ips Building

P.O. Box 8574 - 00200 Nairobi Telephone: 0726953267, Email:

Ahmadhussen2009@Gmail.Com

17.Alba & Associates Llp

Transnational Plaza, 3rd Floor

P.O. Box 4544 - 00506 Nairobi Telephone: 0728215763, Email: Info@Albaandassociates.Com

18.Alex And Partners

Villa Franca, Mombasa Road -Nairobi

P. O. Box 4063 Gpo - 100 Nairobi Telephone: 0733513369, Email: Apartners2002@Yahoo.Com

19.Alfred And Partners

Salama House

P.O. Box 25362 - 00100 Nairobi Telephone: 0780191673, Email: Alfred@Alfredpartners.Co.Ke

20.Alinas Financial Solutions Consultants

Athi House ,Charles Rubia Roadli

P.O. Box 72561 - 00200 Nairobi Telephone: 0722803699, Email: Linuskiboi@Yahoo.Com

21.Alkam & Associates

Komo Lane Off Wood Avenue, Machera Court, 2nd Floor Suite D2

P.O. Box 102359 - 00101 Nairobi Telephone: + 254204407730, +254777407730, Email: Info@Alkamassociates.Com

22.Amg Kenya

Baraka Court-Mf13 - Off Strathmore University

P.O. Box 35070 - 00100 Nairobi Telephone: +254790878710, Email: Info@Amgconsulting-Group.Com

23.Aml Associates

Room No. 4002 Lower Ground Floor, Muiri Court Katani Road

P.O. Box 12854 - 00100 Nairobi Telephone: 721597875, Email: Info@Amlassociate.Co.Ke

Appendix III: List of Audit firms

24.Amrik Jutla & Associates

Lr 209/4300/69, Muranga Road, Nairobi

P.O. Box 18216 - 500 Nairobi Telephone: 2.5471186227e+11, Email: Cpamrik@Gmail.Com

25.Antony And Company

Elyson House

P.O. Box 9730 - 00100 Nairobi Telephone: 254729049468, Email: Antony.Lwangu@Antony-Company.Com

26.Apollo & Associates

Jamhuri 11 Plot 199

P.O.Box 68290 - 00200 Nairobi Telephone: +254 020 2900063/65, Email: Jaosano2001@Yahoo.Com,Info@Apolloassociates.Co.Ke

27.Arthur Consulting Associates

Eco Bank Towers, 13th Floor

P.O. Box 1523 - 00100 Nairobi Telephone: +254729047779, Email: Ad.Athur@Gmail.Com/Info@Artcass.Com/Abdulahi.Athur@Artcass.Com

28.Articson And Associates

Kipro Centre Sports Road Westland

P.O. Box 27443 - 00100 Nairobi Telephone: +254721907441, Email: Aacpas2005@Gmail.Com

29.Ashvin Ranpara & Co

Kalam House, Wangiapala Road, Highridge Parklands

P.O.Box 14401 - 100 Nairobi Telephone: 0722726917, Email: Ranpara@Kenexnbi.Com

30.Auka And Associates

19th Floor View Park Towers, Monrovia Street

P.O. Box 3603 - 00200 Nairobi Telephone: 254720361420, Email: Kenauka@Gmail.Com

31.Avinash Shah Bhatti & Associates

Parklands Road-Office Suites Block B

Po Box 48716 Nairobi - 00100 Nirobi Telephone: 0780101786, Email:

Sab.Avinashbhatti.@Gmail.Com

32.Ay Adan & Ibrahim Llp

P.O. Box 4414 - 00200 Nairobi Telephone: 0720623332/0726915555, Email:

Mibrahim030@Gmail.Com; Ayadan01@Yahoo.Com

33.Ayunga & Associates

Mepalux Plaza 6th Floor Suite 10

P.O. Box 58250 - 00200 Nairobi Telephone: 0723784852, Email: Atandigodfrey@Yahoo.Com

34.B C Patel And Company

Purshottam House, Chiromo Lane,Nairobi

P.O.Box 45931,Nairobi - 00100 Nairobi Telephone: 3748947, Email: Audit@Resources.Co.Ke

35.B. N. Magondu & Associates

Development House

P.O. Box 6113 - 00300 Nairobi Telephone: 0721209659, Email: Bnmagondu@Gmail.Com

36.B.C Peter & Associates

Banda Street

P.O. Box 17298 - 100 Nairobi Telephone: +254 790 469 396, Email: Info@Bcpeter.Com

37.Baker Tilly Merali's

1st Floor, New Rehema House, Rhapta Road, Westlands

P.O.Box 67486 - 200 Nairobi Telephone: +254 738 600209, Email:

Reception2@Meraliscpa.Com/ Madhav@Meraliscpa.Com

38.Barasa Okechi & Company

Nacico Plaza,Landhis Road

P.O.Box 36948 Nairobi - 200 Nairobi Telephone: 723794997, Email: Barasaoel@Yahoo.Com

39.Barefoot Accounting Services

1st Floor, Westlands Business Park, Chiromo Lane, Westlands, Nairobi

P.O. Box 27890 - 00100 Nairobi Telephone: +254720713765, Email: Info@Barefoot-Cpa.Com/Barefootahead@Gmail.Com

40.Bashir Garane & Associates Certified Public Accountant

Jethalal Chambers Suit 201, Tubman Road,Biashara Street,

P.O. Box 100942 - 00101 Nairobi Telephone: +254728679876, Email: Bashir@Bashirgarane.Co.Ke /Bmg4290@Gmail.Com

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41.Basil Doyle & Associates

Development House , Moi Avenue 13th. Fl, Nairobi

P.O. Box 58691 - 00200 Nairobi Telephone: 0715271178, Email: Basil_Nyag@Yahoo.Com

42.Bassan Khanna Saini

The Pavilion, 8th Floor, Junction Of Lower Kabete Road & Mwanzi Road, Westlands

P.O. Box 43175 - 00100 Nairobi Telephone: 0707666472 / 0700405050, Email: Bkscpa@Gmail.Com

43.Bdo East Africa Kenya

Vale Close, Off Ring Road, Westlands

P.O. Box 9th Floor, The Westwood - 10032-00100 Gpo Nairobi Telephone: +254 709 254 000, Email: Kenya@Bdo-Ea.Com

44.Bell Associates

Lr No. 1870/X/30 Off David Osiele Rd

P.O. Box 27617 - 100 Nairobi Telephone: 721410797, Email: Bellassociatescpa@Gmail.Com

45.Bell-Mount & Associates

Crescent Business Centre

P.O. Box 10599 - 00100 Westlands Telephone: 0725806441, Email: Info@Bellmount.Co.Ke

46. Bellwick Africa Llp

The Place Emeli

P.O. Box 22648 - 00505 Nairobi Telephone: 0720802611, Email: Pmutangili@Bellwick.Co.Ke

47.Benim & Associates Llp

Newton House 2nd Flr-Room 201

P.O. Box 59792 - 00200 Nairobi Telephone: 0720826690, Email:

Info@Benimandassociates.Com

48.Benkim Associates

Kma Centre, Block E, 5th Floor

P.O. Box 17823 - 00100 Nairobi Telephone: 0704595773, Email: Audit@Bkmcpa.Co.Ke;

Mutua@Bkmcpa.Co.Ke

Appendix III: List of Audit firms

49.Benson And Associates

4th Floor, Repen Complex, Suite B415

P.O. Box 28166 - 200 Nairobi Telephone: 722874576, Email: Bensoncpas@Gmail.Com

50.Bon&Drew Associates

Jetro Chambers,3rd Floor 309,Mpaka Road,Westlands

P.O Box 13567 - 00800 Nairobi Telephone: 0720727675, Email: Info@Bondrew.Co.Ke

51.Butt And Associates

Shirikisho Building, Ground Floor, Kipande/Upper Ngara Rd

P.O. Box 62956 - 00200 Nairobi Telephone: 0722389788, Email: Josephombita@Yahoo.Com

52.Carr Stanyer Gitau & Co.

First Floor, Ack Garden House, First Ngong Avenue

P.O. Box 40647 - 00100 Nairobi Telephone: 0733573639, Email: Csg@Carrstanyergitau.Com

53.Catherine Mwangi & Associates

West End Place

P.O. Box 3903 - 00506 Nairobi Telephone: 0722835346/0738626995, Email: Mwangicw@Gmail.Com

54.Charles Joshua And Associates

Uniafric House 2nd Floor Room 202

P.O.Box 77073 - 00611 Nairobi Telephone: 0720719832, Email: Charlesjoshua.Associates@Gmail.Com

55.Charles Kabuthu (Ck) & Partners, Cpas

College House, University Way

P.O.Box 100509 - 00101 Nairobi Telephone: + 254 721 514 301, Email: Info@Ibds.Co.Ke

56.Chartafai Limited Liability Partnership

Graceland Court

P.O. Box 40568 - 00100 Nairobi Telephone: 0204401701, Email: Info@Chartafai.Com

Appendix III: List of Audit firms

57.Chege Muchunguzi Mwangi & Company

Mercantile House , Koinange Street

P O Box 4979 - 200 Nairobi Telephone: +254 20 2214180, Email: Cmchege@Czmkenya.Com

58cliff Nyandoro And Associates

P.O. Box 55765

P.O. Box 55765 - 0200 Nairobi Telephone: +254 721 578136, Email:

Cnyandoro@Cnassociates.Co.Ke

59.Clyde And Associates

Uniafric House, 2nd Floor, Suite 221, Koinange Street, Nairobi

P.O. Box 210 - 200 Nairobi Telephone: 729059052, Email: Clyde@Clyde-Associates.Com

60.Costa Luis & Co

Transnational Plaza, 6th Floor, Mama Ngina Street

P. O. Box 70358 Nairobi - 00400 Nairobi Telephone: +254 (0)775999706, Email:

Costaluis.Co@Gmail.Com

61.Cpj & Associates

View Park Towers 17th Floor

P.O. Box 13250 - 00100 Nairobi Telephone: 0203567117, Email: Info@Cpjassociates.Co.Ke

62.Crowe Erastus & Co.

Morningside Office Park, 2nd Floor, Wing B

P.O. Box 55268 - 200 Nairobi Telephone: +254 722395611, Email:

Croweerastus@Crowe.Co.Ke

63.D.K Waweru & Associates

Commonwealth House,2nd Floor,Moi Avenue,Nairobi

P.O. Box 96 - 00618 Nairobi Telephone: 0722674543, Email: Wawerudk@Yahoo.Com

64.Dan & Associates

2nd Floor, Maendeleo House Nairobi

P. O. Box 40190 - 00100 Nairobi Telephone: +254 20 3340710, Email:

Dvswai@Danandassociates.Com

Appendix III: List of Audit firms

65.Davella Llp

Westcom Point, Westlands

P.O. Box 23833 - 00100 Nairobi Telephone: +254784 777661, Email: Info@Davellakenya.Com

66.Delyde Adera & Company Llp

Geomaps Centre, 4th Floor, Upper Hill, Off Elgon Road

Po Box 7914 - 200 Nairobi Telephone: 711900142, Email: Oliver.Adera@Ke.Delyde.Com

67.Devani - Devani And Company

Devani House, Mvule Road

P. O. Box 45761 - 00100 Nairobi Telephone: 0735456122, Email: Devani@Mitsuminet,Com

68.Dmc Associates

Gallant, 2nd Floor

P.O. Box 30847 - 100 Nairobi Telephone: 020229026/2900896, Email:

Info@Dmcassociates.Co.Ke

69.Ej & Associates Llp

Centro House, Ring Road, Westlands

P.O. Box 16481 - 00100 Nairobi Telephone: 72228281307, Email: Hello@Ejassociates.Co.Ke

70.Ekv & Associates

Ground Flr, Top Plaza, Kindaruma Road

P.O. Box 21690 - 100 Nairobi Telephone: 728384063, Email: Ekakai@Ekvassociates.Net

71emerald-El Jay Management Consultants

Bruce House

P.O. Box 12784 - 00400 Nairobi Telephone: 254 748 817 695, Email:

Emeraldmconsultants@Gmail.Com

Appendix III: List of Audit firm

72.Enj East Africa Llp

Navigators Muchai Drive

P.O. Box 37143 - 00200 Nairobi Telephone: 0733904345, Email: Enjeastafricallp@Gmail.Com

73.Ernest & Martin Associates

Haven Court,2nd Fl,Block B5

P.O. Box 21180 - 00505 Westlands Telephone: 0722962194, Email: Info@Ernestandmartin.Com

74.Esani & Associates

Vision Tower Plaza-Westlands

P.O. Box 8396 - 300 Nairobi Telephone: 722925315, Email: Esani15consult@Gmail.Com

75.Eshwar Rao & Associates

1st Floor, Mayfair Suites , Parklands

P.O. Box 8776 - 300 Nairobi Telephone: 0722292181, 0733402607, Email: Pareshu@Erao.Biz

76.Fh & Company (Fhc)

216 Muthaiga North

P.O Box 64587, Muthaiga Mobil Plaza, Nairobi - 00620 Nairobi Telephone:

+254722542500;0720645655;0720329021;, Email: Info@Fhc-Ea.Com

77.Fine Accounting Services

1st Floor, Cpa Centre, Thika Road

P.O. Box 1189 - 100 Nairobi Telephone: 0786352721 / 0204404756, Email: Info@Fas.Co.Ke

78.Gachau Maina & Company

Uniafric

P.O. Box 100576 - 101 Nairobi Telephone: +254 722622794, Email:

Gachaumaina14@Gmail.Com

79.Geoffe & Associates

7th Floor Kalson Towers - Parklands Road

P.O. Box 19823 - 100 Nairobi Telephone: 203744262, Email: Gkamau@Gcl.Co.Ke

Appendix III: List of Audit firms

80.Gmc Kenya Llp

2nd Floor, All Africa Conference Of Churches (Aacc-Ceta Complex), Waiyaki Way, Westlands, Nairobi

P.O. Box 104922 - 00101 Nairobi Telephone: (+254) 20 2000201, 722337977, 780278719, Email: Info@Gmckenya.Co.Ke

81.Gmk Accountants Llp

The Mirage, Tower 3, 5th Floor, Chiromo, Westlands

P.O. Box 8007 - 00200 Nairobi Telephone: 0738271457/0798568956, Email: Gmkaccountants@Gmail.Com

82.Grant Thornton

Avocado Towers,Muthithi Road

P.O. Box 46986 - 100 Nairobi Telephone: 0728-960963, Email: Vipul.Shah@Ke.Gt.Com

83.H.W.Gichohi & Company

Allimex Plaza 4th Flr. Off Msa Rd

P.O. Box 34694 - 100 Nairobi Telephone: 790256228, Email: Mwangikirago06@Yahoo.Com

84.Josiah Salah & Associates

Hughes Building - 2nd Floor

P.O. Box 5360 - 00100 Nairobi Telephone: 0725018830, Email: Info.Joassociates.Co.Ke

85.Julius M And Associates

Ktda Plza

P.O. Box 27250 - 00100 Nairobi Telephone: 0722345136, Email: Cpajuliusmaweu@Gmail.Com

86.K & A Certified Public Accountants

Gill House Tom Mboya Street

P.O. Box 29495 - 100 Nairobi Telephone: 721616194, Email: Anne.Komira@Kna.Co.Ke

87.K. Njoroge & Company

Nginyo Towers, Koinange Street

P.O. Box 57079 - 57079 Nairobi Telephone: 0722526849, Email: Jkn@Knjoroge.Co.Ke

Appendix III: List of Audit firms

88.Kabuya & Associates-Cpa

1st Floor, Uniafric House, Koinange Street, Nairobi

P O Box 2015 - 00200 Nairobi Telephone: 0722705863, 0721272128, 0775781671, Email: K.Kabuya@Yahoo.Com

89.Kahure & Company

Cara House

P.O. Box 103645 - 00101 Nairobi Telephone: 0725265150, Email: Kahurej@Yahoo.Com

90.Kirenge & Associates

Royal Office, Mugotio Road,Off Chiromo Lane

P.O. Box 6578 - 200 Nairobi Telephone: 0723 799 307, Email: Info@Kkandassociates.Co.Ke