

**FACTORS INFLUENCING QUALITY OF FINANCIAL REPORTING OF DEPOSIT
TAKING SACCOS IN KENYA**

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21/00559

MASTER OF SCIENCE IN COMMERCE

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**A DISSERTATION SUBMITTED IN PARTIAL
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SCIENCE IN COMMERCE IN THE SCHOOL OF BUSINESS AND PUBLIC
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DECLARATION

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

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I do hereby confirm that I have examined the master's dissertation of

Jonathan Muendo Kinyenze

And have certified that all revisions that the dissertation panel and examiners recommended have been adequately addressed.

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FACTORS INFLUENCING QUALITY OF FINANCIAL REPORTING OF DEPOSIT TAKING SACCOS IN KENYA

ABSTRACT

Financial reporting is crucial to any organization because it enables it to allocate capital in the most effective and efficient way besides assisting it to mitigate information asymmetry among capital market participants. Financial reporting quality is essential to any organization because it assures a reliable report which can be used in decision making. Financial reporting facilitates capital allocation, increases investment efficiency, facilitates external investor monitoring and increases in financial reporting. It reduces information asymmetry. The main objective of the study was to establish the factors influencing quality of financial reporting of deposit taking SACCOs in Kenya. The specific objectives of the study were to assess the influence of staff capacity on quality of financial reporting of deposit taking SACCOs in Kenya, to examine the influence of top management expertise on quality of financial reporting of deposit taking SACCOs in Kenya, to determine the influence of enterprise resource planning on quality of financial reporting of deposit taking SACCOs in Kenya and to establish the influence of quality of internal audit on quality of financial reporting of deposit taking SACCOs in Kenya. The study was guided by three theories, namely; Upper Echelons Theory, Resource Based View Theory and Agency Theory. This study adopted a descriptive research design. The target population for this study was be 126 respondents from all the 42 deposit taking SACCOs in Nairobi County which were licensed by SASRA as at 31st December 2021. The study used census to get the relevant information. The researcher used primary data gathered using a structured questionnaire. Descriptive statistics and inferential statistics were the main tools of analysis to be used in this study. After that, the findings were presented in form of figures, charts and tables. The study found out that staff capacity has a weak positive significant influence on quality of financial reporting. It was also found out that top management expertise had a strong positive insignificant influence on the quality of financial reporting, and that ERP had a strong significant influence on the quality of financial reporting. Lastly, it was also found out that quality of internal audit had a strong positive significant influence on quality of financial reporting.

Key Words: SACCOs, Financial reporting, staff capacity, management expertise, Internal audit

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DEDICATION

Its due to the moral support from to my beloved wife, Judith L. Muthiani and my children that I have been able to sit and write this research proposal. I therefore dedicate this work to them.

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ACRONYMS AND ABBREVIATIONS

CEO	Chief Executive Officer
DFID	Department for International Development
DPS	Dividend Per Share
DTS	Deposit Taking SACCOs
ERP	Enterprise Resource Planning
IA	Internal Audit
ICT	Information Communication Technology
KTDA	Kenya Tea Development Agency
M&E	Monitoring and Evaluation
MTB	Market to Book Ratio
NED	Non-Executive Directors
NGOs	Non-Governmental Organization
NSE	Nairobi Securities Exchange
OSCD	Organizational support for career development
PSC	Parliamentary Service Commission
PSC	Public Service Vehicles
RBV	Resource Based View Theory
ROA	Return on Assets
ROE	Return on Equity
SACCOS	Savings and Credit Co-operative societies
SPSSS	Statistical Package for Social Sciences
TUE	Theory of Upper Echelons

TERMS AND DEFINITIONS

Deposit taking SACCOs this refers to the financial institutions which are mandated to receive money from citizens and then pay interest on this money at a later time (Oigo, 2015)

Capacity building refers to the act of equipping individuals and/or group of people with the necessary attitudes and knowledge or even skills so as to enable them undertake their activities in a more effective and efficient way (Yamoah, & Maiyo, 2013).

Top management expertise refers to the knowledge and skills that have been gathered by the top level management over time and which are instrumental to them in enabling them to attain the goals and objectives of the internal audit department, and the overall organizational goals (Kabue, 2020).

Quality of internal audit is the quality of the knowledge and skills possessed by the internal audit staff that enables them to carry out their duties diligently (Ebaid, 2011).

Financial performance A subjective measure that indicates a firm's ability to use its assets in the its day to day operations so as to generate revenues (Oigo, 2015).

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

1.1.1 Quality of financial Reporting

Financial reporting quality has been defined in various ways by various scholars. For instance, a study by Martinez-Ferrero (2014) defined it as the authenticity of information which has been documented in the financial reports of the various organizations. The main goal of financial reporting is to provide reliable report which can help the management in decision making. However, since there is divergent levels of quality of financial statements generated by organizations, the quality of financial reporting is also likely to differ (Oyugi, 2020).

The quality of internal audit is also known to increase the quality of operations of an organization. This is attributed to the fact that with credible internal audit comes quality financial report and this in essence will give a true reflection of the organization's state of performance. This will also lead to better management of the organization's earnings (Ching et al., 2015).

The Financial Accounting Standards Board (FASB) opines that financial report quality is measured in based on its relevance, reliability, transparency and clarity. Chen et al. (2011) views a high quality accounting information as one that possesses the ability to bring to a bare minimum the information asymmetry among the stakeholders. According to Sohail and Aziz (2019), financial reporting quality can be measured by the degree of earnings management by using accruals, accruals quality and the degree of accounting conservatism.

A study by Angela and Aryancana (2017) indicated that there are four types of financial reports that define quality and these include; the balance sheets; the income statements; cash flow statements; and statements of shareholders' equity. A study by Shroff (2015) documented on the importance of these reports by stating that their quality increases in financial reporting credibility and hence increase companies' access to capital and thus leading to an increase in debt. Further, they also improve a company's financing and investment decisions.

According to Hasanaj and Kuqi (2019), financial reporting includes financial statements and other forms of communication that provide financial information, such as earnings announcements, analyst presentations, press releases and prospectuses. They provide an information based perspective on financial reporting, where investors (users) have information demands and managers (preparers) have incentives to supply financial information.

1.1.2 Factors influencing the quality of financial reporting

There are a number of factors which have been documented to be influencing the quality of financial reporting of any organization. For instance, a study by Lekamario (2017) on the factors influencing quality of financial reporting of County Governments in Kenya mentioned staff capacity through training on Public Financial management (PFM) Regulations, Financial Management Information System (IFMIS) systems and government financial operations are necessary in order to develop staff capacity. According to the study, Counties which had efficient and effective system of staff recruitment and selection ended up getting the right staff for the right job. The study also cited internal audit function as another major determinant of the quality of financial reporting among the counties under

investigation. It is for the same reason that the study recommended on the need for Counties to set up Audit committee for it was felt that it will play a vital role in complementing the roles of the internal audit department.

A study by Tarus et al. (2015) cited the staff capacity, top management expertise, Integrated Financial Management Information System (IFMIS) and internal audit quality as the major factors which influence the quality financial reporting in Kenya's banking sector. This claim is supported by the findings of the study by Hernandez and Lema (2012) which found out that higher quality financial reporting occurs when the internal audit function devotes more time and resources to financial audits. Better reporting also results from taking steps to ensure the accuracy and reliability of accounting records and financial reports.

Sohail and Aaziz (2019) in a study on the impact of financial reporting quality on firm's financial performance developed sufficient reasons to believe that accruals quality, earnings quality, and accounting conservatism had a big role to play in influencing the quality of financial reporting.

In an effort to document on quality of financial reporting, Beest et al. (2009) found out that earnings management, financial restatements, and timeliness influence financial reporting quality in terms of the fundamental characteristics (i.e. relevance and faithful representation) and the enhancing qualitative characteristics (i.e. understandability, comparability, verifiability and timeliness).

1.1.3 Deposit Taking SACCOs in Nairobi County

The savings and credit cooperatives (Sacco's) are defined as cooperatives which have engaged themselves in providing its members with a convenient means to save money and also get loan advances when they so desire, at low interest rates (Matianyi & Ndirangu,

2019). The main objective of SACCOs is to enable the members mobilize resources by means of savings and distribute the same in form of loans to the members with an objective to achieve the organization's continuity through adoption of good financial management skills.

In Kenya, SACCOs are established under the Cooperative Societies Act (Cap. 490). Currently SACCOs are the leading sources of credit to members for socio-economic development. In early 1908, the first cooperative was established in Kenya in Kipkelion area of the present Kericho County (Chimkono et al., 2016). At least in every family in Kenya one or two members directly or indirectly depend on deposit-taking SACCOs for livelihood and survival. There is a lot of diversification in the sector and the non-agricultural based cooperatives have joined and invested in areas such as building and construction, transport sector such as Public Service Vehicles (PSV) (Ouko & Atheru, 2022).

Documented statistics estimate that 63% of Kenyan actively save in SACCOs with an anticipation that they can get cheaper loans from them when they are registered members of the SACCOs. This is because it is perceived that SACCOs offer cheaper loans because they are member-focused when it comes to loaning (Matianyi & Ndirangu, 2019). The study further points out that, although SACCOS are vulnerable to financial instability, in most cases they use their little profits to pay dividends while keeping watch not to plunge into insolvency.

A study by Kiaritha (2015) claimed that, although African SACCOs have risen significantly in recent years, they have witnessed several challenges such as inadequate presentation of people in society. Further, there is a split of society into classes by the

SACCOs as a result of economic capacities, which acts as a barrier to further expansion (Kiaritha, 2015).

This research used deposit taking SACCOs in Nairobi County as the case study. According to SASRA (2022) report, there are 42 deposit taking SACCOs in Nairobi County which are licensed by SASRA as at 31st December 2021. These institutions were liberalized by sessional paper NO 6. to be run as commercially viable institutions and their financial statements to be prepared using same Financial reporting benchmarks as other commercial entities within the financial sector (Maina, 2007). According to the research by Ombado (2010), SACCOs are distinct from the conventional commercial banks in the sense that their members who hold accounts in the SACCOS are at the same time the owners, and they conduct their voting mandate on the one member - one vote basis irrespective of the members' shareholding. The choice of these SACCOs was prompted by the fact that most of them are facing financial difficulties and this has been attributed to their poor quality of financial reporting (Opala, 2014).

1.2 Statement of the Problem

Financial reporting quality is essential to any organization because it assures a reliable report which can be used in decision making. Financial reporting facilitates capital allocation, increases investment efficiency, facilitates external investor monitoring and increases in financial reporting (Shroff, 2015). It reduces information asymmetry (Simpson & Tamayo, 2020). The quality of financial reporting depends on a number of factors key of which are exposing the activities going on in the firm, whether the firm is following accounting rules and conventions and how it makes decisions based on the financial information at hand (Oyugi, 2020).

However, studies had indicated that although deposit-taking SACCOs have put in place financial regulations and procedures, much had not been done to address the inadequacy of public sector financial reporting. According to Kirira (2013), if the issue of inadequate financial reporting is not treated with the seriousness it deserves and the problems fully addressed, accountability and transparency will be greatly compromised among the SACCOs.

A study by Thabo, et al. (2003) noted that SACCO societies have problems generating wealth due to poor financial stewardship, under-capitalization, high cost of funds, and delayed member payments. Alao (2014), observed that SACCOs in Kenya are faced by such problems as; poor governance and, lack of members' confidence, among others, while Ndung'u (2010), adds that the SACCOs are inhibited by mismanagement and poor investment decisions. This claim is supported by the SASRA (2021) report which indicated that 22% the SACCOs faced various problems which included the quality of their financial reporting. Further analysis by Anania et al. (2015) on SACCOs and members' expectations indicated that financial constraints, poor loan recovery, governance problems, poor managerial skills, illiterate members, poorly trained members of staff, poor diversification of financial products, keeping incomplete records, misappropriate members' funds, poor auditing, poor inspection of the SACCOs activities and disregard of cooperative principles as some of the factors which greatly hampered the quality of financial reporting among the SACCOs.

Sohail and Aziz (2019) revealed that a high-quality Internal Audit Function is able to contribute to both financial reporting quality and audit efficiency. In Nigeria, Bestman and Otabor (2021) developed sufficient reasons to believe that enterprise resource planning have strong influence on the measures of performance; revenue growth and profitability. Bundi

(2020) showed that staff capacity played a vital role in boosting the quality of financial reporting. It is for this reason that this study is undertaken so as to ascertain the factors influencing quality of financial reporting of deposit taking SACCOs in Kenya.

1.3 Objectives of the Study

1.3.1 Broad Objective

The main objective of the study was to establish the factors influencing quality of financial reporting of deposit taking SACCOs in Kenya.

1.3.2 Specific Objectives

- i. To assess the influence of staff capacity on the quality of financial reporting of deposit taking SACCOs in Kenya
- ii. To examine the influence of top management expertise on the quality of financial reporting of deposit taking SACCOs in Kenya
- iii. To determine the influence of enterprise resource planning on the quality of financial reporting of deposit taking SACCOs in Kenya
- iv. To establish the influence of quality of internal audit on the quality of financial reporting of deposit taking SACCOs in Kenya

1.4 Research Hypotheses

H_{01} : Staff capacity has no significant influence on the quality of financial reporting of deposit taking SACCOs in Kenya

H_{02} : Top management expertise has no significant influence on the quality of financial reporting of deposit taking SACCOs in Kenya

H_{03} : Enterprise resource planning has no significant influence on the quality of financial reporting of deposit taking SACCOs in Kenya

H_{04} : Quality of internal audit has no significant influence on the quality of financial reporting of deposit taking SACCOs in Kenya

1.5 Significance of the Study

This study is important in the sense that its findings will enable the scholars who would wish to venture in studying the factors influencing quality of financial reporting of deposit taking SACCOs. It will be instrumental to them by providing them with information which they can use to not only build their statement of the problem but also provide them with information for building up their empirical literature. It will also help them to develop a conceptual framework which is instrumental in showing the link between the variables under study a diagrammatic form.

The findings of this research would also be instrumental to researchers by exposing to them factors influencing quality of financial reporting of deposit taking SACCOs in Kenya. Equally, this category of people will use this information to build up their statement of the problem but also provide them with information for building up their empirical literature. It will also help them to develop a conceptual framework.

It will also offer guidance to the management of the SACCOs' who are the Board of Directors to know the factors influencing quality of financial reporting and this will assist them when making relevant decisions and strategies to ensure sustainable competitive advantage and compliance with the set standards. Through this information, they will be able to know which aspects of financial reporting is likely to improve transparency and better tracking of their money.

1.6 Scope of the Study

The study was on the factors influencing quality of financial reporting of deposit taking SACCOs in Kenya. Specifically, it touched on staff capacity, top management expertise, enterprise resource planning and quality of internal audit as the aspects of deposit taking SACCOs. It covered the deposit taking SACCOs in Kenya which are licensed by SASRA as at 31st December 2021. The total population was 126 members of staff drawn from Internal Audit, Finance Officers and Deputy Finance Officers. The study was carried out over a period of 16 weeks from April to July 2022. The study was descriptive in nature and it mainly relied on primary data which were obtained from the respondents with the help of a questionnaire.

CHAPTER TWO

LITERATURE REVIEW

2.1 Theoretical Literature

2.1.1 Upper Echelons Theory

The theory of upper echelons (TUE) was suggested by Hambrick and Mason (1984). According to this theory, the performance of an organization is an outcome of the way in which the management of an organization uphold its values and also how bias they are in undertaking the activities aimed at helping the organization to achieve its mission and goal. The theory further states that it is the top management's sensitivity towards the corporate environment that give a direction on the direction they take when they are making choices pertaining to the organization. This theory is relevant to this study because it will seek to know whether the top management characteristics have any role to play in influencing their financial reporting.

This theory further opines that the characteristics and the functioning of the top management team which include their demographic traits and the heterogeneity of the team members also have a role to play when they are making decisions (Dang & VO, 2014). Heterogeneity which refers to the variation in the team members' characteristics (Dang & VO, 2014). Demographic traits are composed of attributes, such as age, level of education, board tenure, functional tracks, other career expectation, financial position, socio economic roots (Kamau, 2014).

According to this theory, it is the top executives that matter most in an organization. A focus on the characteristics of the top management team will yield stronger explanations of organizational outcomes than will the customary focus on the individual top executive (e.g.,

CEO) alone. Management of any organization is a collective activity of the top management team, which is achieved through the capabilities, intuitions and interactions of the members and hence the need for them to be cautious when undertaking their strategies (Bassa et al., 2018). According to the study, top management often encounters three categories of challenges, namely; those challenges associated with the job demands, the challenges associated with making strategic choices; and performance challenges which emanate from the shareholders.

Various studies have been documented in support of this theory. For instance, Dezsó and Ross (2012) confessed that gender heterogeneity of top management teams leads to better performance on managerial tasks that result in a higher level of company performance. Egerová and Nosková (2019) adds to these findings by opining that the results of present studies are inconsistent, but numerous authors state that the gender heterogeneity of a top management team has a positive impact on a company's performance.

2.1.2 Resource Based View Theory

This is a theory which was coined by Wernerfelt (1984). The theory argues that competitiveness in any organization can only be achieved when the organization engaged in creativity aimed at giving high value to consumers. Hitt (2013) defined a resource as any inputs into a company's productive process. This can be achieved from the fact that every organization has its unique capabilities and resources that it can use to stand out against its competitors. In other words, organizations are a compilation of distinctive resources and capabilities and that, it is necessary for an organization to have unique resources and capabilities which can enable it effectively implement its strategies so as to realize positive returns.

This theory is relevant to this study in the sense that it recognizes economic assets as a vital component for sound financial reporting of any financial institutions, SACCOs inclusive (Altaany, 2013). It is also important to this study because it will seek to ascertain whether the SACCOs are using their enterprise resource planning as a tool that can enable it plan and manage its daily activities more efficiently relative to their competitors. It is perceived that ERP makes employees work faster and reduce mistakes. The theory will also seek to determine whether the DTS acknowledge the importance of building staff capacity in a way that they can perform their duties efficiently and effectively relative to those of competitors.

According to Putra et al. (2021), the RBV theory emphasizes on the ability of the organization to maintain a portfolio of resources which cannot be easily copied by its competitors. RBV is instrumental to organizations which are managing its assets in a prudent way, and one which has organizational factors which gives it a competitive advantage (Sheikh et al., 2017).

According to Putra et al. (2021), it is easy for an organization to create value and gain competitive advantage by employing resources which are at its disposal. However, the resources must be those that are unique, rare, valuable and cannot be easily substituted. This claim is seconded by Wanyoike (2017) adds that the rate at which an organization accumulates and assimilates the various resources it needs in its daily operation greatly have a role to play in the firm's growth. Also, an organization is likely to face slow growth in situations where it fails to take exploit the opportunities arising even when it has the necessary resources to so. In this regard, its necessary that organizations continually explores on the possible new ways or opportunities it can venture into so as to increase its overall

efficiency and hence productivity. This may involve, among other things, exploring new knowledge which is likely to yield new ways of using existing resources in a more efficient or effective way; or adopting new ways of coalescing various group of resources.

2.1.3 Agency Theory

This theory was coined by Jensen and Meckling (1976). Agency theory argues that in most cases, agents are equipped with more instrumental information which their principals (who are owners of the organization) may be unaware of. This poses risk to the owners because it makes them unable to ascertain whether or not their interests are well taken care of by the agents.

This theory is relevant in this study because the internal audits are appointed as third parties to independently oversee the activities touching on money on behalf of the principals. Internal audit is mostly used by an organization as one of the internal control mechanisms used in business to address the agency problem by reducing agency costs that affects the overall of the relationship as well as the benefits of the principal (Njiru, 2016; El Gharbaoui & Chraibi, 2021).

Agency theory makes an endeavor to bring to a common ground the interests of the managers and those of the shareholders and it is pegged on the notion that there is always intrinsic struggle among the principles' (owners) interests and the managers as agents of the principles because in most cases the agents have more knowledge and expertise relative and for this reason they are better placed to pursue self-interests while disregarding the interests of principals (Mwiti et al., 2019). The theory therefore comes in handy in solving the conflict which is likely to crop up between principals and agents of the principals (Jensen & Meckling, 1976).

This theory argues that, by having in place a competent and quality internal audit in place in any organization, coupled with an objective external audit service and a reliable financial reports, an organization is likely to uphold a cost-efficient contracting between managers and shareholders. Thus, we can say that this theory helps to explain why an organization needs existence of internal audit and their characteristics and scope (Nasamba, 2019).

As highlighted by Panda and Leepsa (2017), agency theory requires that both managers and directors work on the same page by managers availing necessary information due to their high access to critical information regarding the institution's activities. This, however, creates an asymmetry of information where managers withdraw critical information and thus keeping the directors always in darkness and unable to have control of important matters relating to the business. According to the report, it is only important to have managers revealing critical details about the business such as areas that would lead to financial losses through strengthening the internal controls so as to in order to avoid such unfortunate incidences.

2.2 Empirical Literature

2.2.1 Staff Capacity and the Quality of Financial Reporting

In Bangladesh, a study was done by Rahman and Akhter (2021) on the impact of investment in human capital on bank performance. The study mainly wanted to determine whether or not human capital ad any role to play on the quality of financial reporting of commercial banks and advice on what adjustments can be done to improve performance of the said financial institutions. Data were collected from 261 individuals working in commercial banks under study and then analyzed using structural equation modeling. The

results revealed that an organization which had dedicated its resources towards training and development of its employees was likely to experience an improvement in the quality of financial reporting. However, the research found out that employee's level of education had no significant role to play in improving the quality of financial reporting of commercial banks.

Ahmad et al. (2015) sought to establish whether employee capacity building boosts the ability of employees to perform better. The purpose of this paper was to examine the reasons are likely to make an employee perform better in his or her work place. To achieve this, the study scrutinized an employee's inner motivations which are likely offer capacity building. It also sought to determine which motivations are likely to offer capacity building from outside an individual. The study followed a quantitative research approach whereby a sample of middle level employees of banking industry was investigated. The study found out that supervision of employees had little role to play in boosting the quality of financial reporting. However, it was observed that an employee who had been offered capacity building was likely to perform better relative to those who had not been subjected to any capacity building.

Ali (2021) expounded on the effect of capacity building on career development at Hope University Staff in Mogadishu-Somalia. The main focus of the study was to explore the influence of capacity building on career development at Hope University staff in Mogadishu-Somalia. A cross-sectional survey research design was used. A sample of 48 respondents was selected from a population of 60 members of staff and the resultant data analyzed using descriptive statistics. The results indicated that the respondents agreed that on the job learning and workshop training can lead great impact on the quality of financial reporting, that

capacity building promotes the quality of financial reporting and efficiency to deliver effective learning, that capacity building enhances university's goals and performance and that career developed lecturers will demonstrate a commitment to quality. It was also agreed that the annual workshop on staff there will be development both staff and lecturer in university and that if the system of university include career training programs will create quality improvement.

In their study on capacity building and employee performance in Ghana, Yamoah and Maiyo (2013) used a sample of 56 respondents and using descriptive research design and by administering a questionnaire to the respondents. The finding from the study developed sufficient reasons to believe that, by giving an employee sufficient training and development, s/he is likely to perform better than when little or training is offered. However, the study quickly warned that, training does not automatically lead to an improvement in the quality of financial reporting in isolation unless it is accompanied by other monetary rewards like bonuses, salaries and allowances.

In Nigeria, Ojokuku and Adegbite (2014) explored the impact of employee training and development and capacity building resulted in employee productivity. The main objective of the study was check whether by giving employee adequate training and development, an organization is likely to expect increased productivity. This inquiry was answered by collecting data from 128 executives who were randomly selected from various firms which were operating in Nigeria. The study indicated that capacity building had a positive significant connection with the quality of financial reporting. The research showed that by subjecting employees to capacity building, an organization is likely to witness general improvement in the quality of financial reporting and that this will make the employees to be

committed to innovation and system improvement. It was further observed that adequate and frequent training result in increased motivation and morale among the employees. According to the study, capacity building is likely to alleviate the problem of obsolescence among employees; and that most frustrations in the work place could best be dealt with by offering employees adequate and regular training which should also include training on modern equipment which the organization has procured for use by the workers.

In Kenya, Otibine (2016) provided empirical evidence on the effect of capacity development strategies on the quality of financial reporting. The study used case study design was used as the blue print for guiding the study. The study found out that organisations develop their core competences and included them in the organisational business objectives and that the presence of capacity development strategies contributes to motivation building among employees. It was also noted that that when training i.e. financial management, ICT/service automation user training are present in the workplace, employees are motivated and thus the quality of financial reporting is generally improved and thus impacting on the overall organisational performance.

A study was done by Ahmad et al. (2015) seeking to know how capacity building boosts the quality of financial reporting. The tenacity of the study was to enlist the salient factors which are vital in increasing the quality of financial reporting. To make this research successful, a quantitative research design was deemed appropriate. A sample of 150 middle level employees participated in the research. The study gathered sufficient evidence to proof that although training and development had no significant role to play in promoting the quality of financial reporting, there was a significant relationship between capacity building and the quality of financial reporting.

Bundi (2020) examined the role of monitoring and evaluation (M&E) practices and the quality of financial reporting of projects in Nairobi County, Kenya, with an aim of determining the effects of monitoring and evaluation planning, staff training and evaluation budgeting on the quality of financial reporting of projects in Kenya. The study chose descriptive research design as the basis of this study. A sample of 120 was selected using stratified random sampling. The study found out that organizations have skilled personnel who are accountable in their work, that the monitoring and evaluation officials had a vast knowledge in the daily activities of their organizations, that all forms of training (on the job experience and formal training) played a key role in boosting the quality of financial reporting. In view of this, the study recommended on the need for M&E planning to be implemented and that all non-governmental organizations. Staff training and M &E budgeting needs to be adhered to in the organization because from the findings it was noted these influences the quality of financial reporting of projects within organizations.

Kwamboka (2018) found solace in studying the influence of capacity building strategies on organizational development of non-governmental organizations. The purpose of this study was to inspect the impact of capacity building strategies on organizational development at UNOPS Kenya office. The specific objectives of the study were to determine the influence of human resources capacity building, knowledge management capacity building and leadership capacity building on the quality of financial reporting. A descriptive survey research design was employed in the study and a census of 54 employees at UNOPS office participated in the study. The findings revealed that there exists a statistically significant relationship between human resource capacity building, knowledge management capacity building and leadership capacity building on one hand, and the quality of financial reporting on the other. This led to the conclusion that training of employees within an

organization is an essential aspect of the quality of financial reporting that organizations should enhance.

Makau (2017) reported on the effect of performance management and capacity building on the quality of financial reporting. The purpose of the study was to ascertain the impact of performance management and capacity building on the quality of financial reporting in Madison Insurance Company Kenya Limited. The study's particular intentions were to examine the effect of performance management on the quality of financial reporting and to examine the effect of capacity building on the quality of financial reporting in Madison Insurance Company Kenya Limited. Out of 1540 employees of the Madison Insurance Company Kenya, only 154 employees were selected through simple random sampling technique and allowed to participate in the survey. The study revealed that the performance management and capacity building influenced the quality of financial reporting of insurance industries and that there was a positive significant relationship between performance management, capacity building and employee performance. Based on this, the study recommended that insurance industries should invest in the quality of financial reporting and capacity building.

A study was done by Wachinga (2016) to ascertain the organisational factors influencing financial performance of private companies in Kenya. The main objectives of the study were to investigate the role that top management and support team, organizational structure and the corporate governance play on the financial performance of KTDA factories. The study used the quantitative research method. A census was done on 9 factory managers and their assistants, finance officers and human resources managers. The study found out that most of the respondents rated the organizational structures of the tea factories as highly

layered and having occasional opportunities of impairing and negatively affecting the decision making processes. It was also felt that most of the members of the top management cadres merited their positions, that the factories had code of ethics that guided the interactions between the shareholders and the institutions. It was recommended that organizations should strive to ensure that they have lean organizational structures as a measure of reducing operational costs and enhancing efficiency.

2.2.2 Top Management Expertise and the Quality of Financial Reporting

Mukaminega and Emuron (2021) contributed to this field of knowledge by studying the effect of employee motivation on financial reporting of organisations based in Rwanda. The study used Umwalimu Sacco as the point of reference. The aim of the study was to analyze the contribution of employee motivation on the monetary well-being of organizations. The research opted to employ not only descriptive but also inferential statistics. Data were collected using questionnaires and interview guides from respondents located in Kigali and the responses were analysed using content analysis. The results showed the existence of a direct link between motivation and the financial reporting of organizations. It was further revealed that increase of financial reporting had a great effect on performance of staff and therefore an increase in liquidity and profitability of Umwalimu Sacco, that promotion and recognition also increased the motivation of staff and their quality of financial reporting improved making the SACCO more profitable. It was recommended that Umwalimu SACCO management should increase financial benefits, promote and recognize staff to experience profitability and better liquidity.

Bassa et al. (2018) documented on how the emotional astute of the top organizational managers signals the financial reporting of the organizations under study, with University of

Juba as the point of reference. The study sought to adopt both qualitative and quantitative research designs on a sample of 64 respondents drawn from a team of one hundred and six top level managers who were selected from the university's management. The findings of the study revealed that the five domains of emotional intelligence under study (individual's awareness, regulation, social skills and motivation) have a substantial impact the quality of financial reporting of the organization. It was therefore recommended on the need for the universities to offer training in a continuous manner since it was realized that it improves the financial reporting.

An empirical study was done by Bouzinab (2017) with an intention to know the extent to which various board attributes and firm strategic decisions. These attributes under consideration involved composition of the board of directors, their heterogeneity, their expertise, and the procedures used in nominating them. To study this, a sample was obtained from Crosbie and company's informant database over the period from 2006 up to 2006. The study revealed that an organization cannot better its financial results merely by appointing involving Non-Executive directors. According to the study, the relationship between the two exhibit a curvilinear relationship hence it is expected that there exists both positive and negative relationship between the two variables. The study also indicated that by using nominating committees who adhere to transparent practices during nomination and are guided by the organization's goals and strategies, an organization is likely to get competent directors who have necessary knowledge and the needed expertise to steer the organization to productivity.

Fujianti (2018) summarized the influence of top management characteristics on financial reporting of the organizations which have secured a slot in the Indonesian Stock

Exchange. This study wanted to report on the role age of top manager, length of service of top managers, educational background and gender on the company value, to determine the moderating influence of company size nourishes link between the top manager's age and the organization's financial well-being. To achieve this task, 40 companies were selected using purposive sampling technique. The study found out that the older the top manager, the more it is that s/he will positively contribute to the company's worth. It was also observed that manager's skill and tenure make the manager better placed to make more informed decisions and these in turn will lead to improved financial reporting. However, the study observed that gender and educational background were not significantly influential in boosting a company's value. Further, the results indicated that the size of an organization strengthened the link between age and tenure of management on one hand, and the institutional performance on the other.

Ghardallou et al. (2020) used Saudi Arabia listed firms to study the link between personal of the CEO and the financial reporting of organizations. The main task of the research was to examine the role of the personal characteristics of CEOs on the performance of the institutions they are leading. The specific objectives of the study were to investigate their level of education, tenure and experience on performance. The relevant data was harvested from the annual reports for 120 firms listed on Tadawul Stock Exchange over the three year period ending in 2017. The findings revealed that CEO's level of education play an integral importance in boosting a firm's performance. In particular, it was noted that those CEOs who had a background in business related courses tended to steer their organizations to better financial reporting relative to those who did not. It was also reported that firms with CEOs who had a postgraduate qualification registered better financial reporting. The other factors which were noted to influence performance were job experience and tenure.

Kariuki (2016) examined the relationship between corporate governance and financial reporting of licensed deposit taking SACCOs in Kenya. The specific objectives of the study were to explore how boards' responsibility, transparency and disclosure and internal controls influence the financial soundness of licensed deposit taking SACCOs in Kenya. The research used a descriptive design. The study was a census of 43 respondents who were drawn from the 13 licensed deposit taking SACCOs that were operating in Nairobi County as at June 2014. The data were analyzed using descriptive and inferential statistics. The findings revealed that board responsibility, transparency and disclosure and internal controls have a positive influence on the licensed deposit of the SACCOs. It was also observed that board responsibility, transparency and disclosure and internal controls do not individually explain variations in PEARLS ratios on protection and rates of return and costs. However board, transparency and internal control do explain variations on effective financial reporting. Hence, the study recommended on the need for SACCOs to put more pressure on the application of the corporate governance pillars and especially on board responsibility.

Alfayo et al. (2015) did an empirical study on the effect of executive proficiency on organizational well-being among investment banks which are licensed to operating in Kenya. The purpose of the study was to investigate the effect of managerial expertise on performance of the said financial institutions in Kenya and compare it with pre-acquisition performance. A descriptive research design was used. A sample of 367 employees of old Mutual and Fulu Kenya Micro Finance took part in the study and these were selected using stratified random sampling technique. The data were analyzed using descriptive and inferential statistics. It was evident from the study that the experience possessed by the top management had a positive influence on the financial reporting of the investment banks under investigation.

An empirical investigation was made by Githaka (2017) on the financial factors affecting liquidity of SACCOs in Kirinyaga County. The study wanted to know to what extent did cash management, loaning, cash flow and investment on non-core business activities have on the liquidity of SACCOs. Anchoring on a cross-sectional research design as the blue-print bearing of the study, a sample of 18 SACCOs were allowed to give their views in the study and these were drawn using stratified random sampling technique. Data were gathered using a questionnaire, and also from audited financial statements as the sources of secondary data. The research recommended on the need for the SACCOs to ensure they adopt financial strategies which can help them ensure that there is proper financial reporting in an effective manner and that regulations are formulated to assist in mitigate liquidity risk. It also recommended that SACCOs should include collaterals as one of the requirements for advancing loans so as to reduce loan defaults.

An investigation was done by Gitonga et.al. (2019) so discuss the influence of organizational control on the financial reporting of listed corporations. The main focus of the study was to find out whether organizational governance adds any value to the financial reporting of listed companies. It is for this reason that a sample of 98 was called to participate in the study, the choice of which was done using stratified random sampling method. A questionnaire was used to harvest data for analysis while some were obtained from secondary sources. The research argued in favor of the need to have financial reporting since it was felt that through it, an organization is likely to eliminate information asymmetry between the managers and shareholders and that it was a mandatory requirement that all state corporations should publish all their financial statements so that the stakeholders can easily access them.

2.2.3 Enterprise Resource Planning and the Quality of Financial Reporting

Tarigan and Siagian (2018) reported on the effect of ERP achievability can boost a firm's operations. The study took integration and planning as the main indicators of sustainability. The study purposed to investigate the relationship between ERP and its impacts on operational performance. Specifically, the research sought to find the influence of ERP sustainability on operational process integration, and planning and control integration. A sample of 38 respondents was selected from ninety eight medium and large manufacturing firms, and the data so obtained from the administered questionnaire. The research found out that ERP achievability is instrumental to an organization because in leads to improved financial reporting. However, the study was quick to caution that ERP achievability in isolation doesn't necessarily lead to better organizational preparation or incorporation, neither does it yield better financial reporting.

Wanyoike (2017) sought an empirical evidence of ERP on the general performance of an organization among firms which practiced consultancy in the field of engineering. Armed with objectives to ascertain the impact of adoption of ERP adoption, organizational learning and internal processes on one hand, and performance on the other. The research design used in the study was descriptive in nature where a total of 41 subjects were selected through stratified random sampling technique. It was observed that an adoption of the ERP systems by organizations led to an improvement of their financial performance, that ERP usage was instrumental to any organization since it led to increased profitability, competitive advantage, ROI, market share and operational costs.

In Nigeria, Bestman and Otabor (2021) investigated the association between enterprise resource planning and organizational enactment of deposit money banks in

Nigeria. The study wanted to gain more knowledge on the influence of human capital planning influence revenue growth and profitability of quoted financial institutions in Nigeria. This study used cross sectional research design as the main blue print guiding the 70 managers from various departments was involved. The results revealed that enterprise resource planning have strong influence on the measures of financial reporting. The study therefore, recommends that commercial banks should plan on the development of the human capital through ICT training and requisite ERP development requirements, for this will enhance revenue growth and drive better financial reporting of the banks.

In Kenya, a report was done by Juma (2017) wanted to add to the existing knowledge by documenting on the influence of ERP on the normal functioning of parastatals in Kenya. A descriptive type of research design was adopted by the study. A sample of 60 subjects was identified stratified random sampling. The study found out that, when an organization follows the required standard organizational practices, it is likely to better its financial reporting. It was also noted that an organization can equally improve its quality of financial reporting and increase its efficiency by adopting embracing a good business system and when it invests in a good ICT structure. It was in view of these that the study recommended on the need for the parastatals to invest in good ICT infrastructure and embrace the standard organizational practices in an effort to improve their productivity and financial reporting.

Parto et al. (2016) looked at developing countries to study the direction which ERP gives the financial reporting of a firm. This was an empirical analysis which was based on ninety three Iranian organizations which operated in the manufacturing industry. It was found out that by implementing ERP, an organization is better placed to increase its performance. It was therefore recommended that an organization needs to strive as much as possible to all

packages of ERP since it was realized that by doing to, an organization is likely to achieve the highest results in terms of financial reporting.

In Indonesia, Putra et al. (2021) did a scholarly article on the influence of ERP implementation system on company performance mediated by organizational capabilities. This study purposed to unearth the effect of ERP system implementation on company performance with organizational capabilities as a mediating variable. The study used a quantitative research study using 117 samples of manufacturing companies listed on the Indonesia Stock Exchange from 2013 to 2018. Data were analyzed using structural equation modeling. The findings revealed that ERP system's implementation had a significant positive effect on company performance and organizational capabilities and those organizational capabilities also had a significant positive effect on company's financial reporting.

In Lebanon, Serhan and El Hajj (2019) researched on the power of ERPS on organizations' financial reporting. The research design incorporated in this study was quantitative and 50 subjects were allowed to participate in the study, the selection of which was based on purposive sampling technique. It was easy to observe from the study that ERP was widely used by most organizations and that those organizations which had it were already reaping the benefits of improved financial performance. However, it was regretted that there most employees had scanty knowledge of how ERP was used. This meant that although ERP was beneficial to the organizations, only a few employees had vast knowledge on how it fully works, and it was for this reason that most employees couldn't easily tell on the competency of the system in terms of its accuracy, efficiency, reliability, and flexibility.

In Kenya, Njihia and Mwirigi (2014) assessed the competence of Enterprise Resource Planning in supporting financial reporting. The purpose was to discuss the challenges associated with bringing on board ERP into the micro and small businesses so as to identify the best way to manage the ERP in an effort to enable these enterprises achieve competitive advantage. Precisely, the research sought to scrutinize the effects of organizational structure, employee support, availability of funds, the legal framework the influence of administration on the financial reporting of the said businesses, using descriptive research design approach. It was realized that all the independent variables under study (effects of organizational structure, employee support, availability of funds, the legal framework the influence of administration) had strong influence on the financial reporting of the small and medium businesses.

Al-Nimer et. Al., (2017) interrogated how the extent of ERP adoption impacted on the financial reporting of financial firms. The main objectives were to evaluate the extent to which ERP adoption upholds financial well-being and the salient factors which nourish the adoption of ERP among the commercial banks and how it is likely to make them fetch more returns. The main research instrument was content analysis. Secondary data for 11 banks were studied over a six year period ending in 2016. It was easy to note from the study that although most financial institutions had put ERP in place from as early as in the year 2013, the extent of adoption of the same remained varied across the institutions. It was also observed that training courses were the main reason why there was variation in the extent of adoption of ERP and that, if the employees would have been enlightened on the benefits associated with ERP implementation, and if the banks would have put in place the necessary infrastructure which is needed to support the efficient running of ERP, then implementation of ERP would have been easy. The study failed to notice any significant effect of ERP on the

quality of financial reporting of the financial institutions under scrutiny, hence reason why it was recommended on the need for the institutions to popularize ERP system and upscale the ICT system necessary to support efficient and effective running it.

Rono (2020) analyzed how ERP offered support to the quality of financial reporting of supermarkets which were licensed to operate within Nairobi. More precisely, the research wanted to ascertain the components of ERP that were already in place in the supermarkets, and the contributions they have made to the overall profitability of the supermarkets. A quantitative research design seemed suitable for the study and a sample of 30 respondents drawn from managers from various departments. The study found out that ERP software adoption is positively correlated with the financial reporting and knowledge and that this eventually led to customer gratification. It was also realized that by adopting ERP usage, an organization is likely to experience increased revenue, attract more customers, increased profit which are as a result of lower cost of operations. ERP usage also resulted in improved efficiency and effectiveness and these in turn make the supermarkets achieve their missions and goals.

Ali et al. (2020) made an attempt to explain the strength of enterprise resource planning in promoting profitability. The main tenets of the study were to investigate the role of ERP system, firm size, management efficiency and capital adequacy on profitability. A census of 56 financial institutions had their data retrieved and analyzed. The results from the analysis revealed that ERP promotes the quality of financial reporting and offers support to various activities in modern organizations. It was also revealed that ERP enables firms to create an accurate and timely financial data, and that ERP leads to enhanced management efficiency.

2.2.4 Quality of Internal Audit and the Quality of Financial Reporting

In Yemen, a study was done by Hazaea et al. (2021) to establish the link between audit and the quality of financial reporting of the banks which are licensed to operate within the country. The main purpose of the study was to ascertain whether or not internal audit (IA) has any role to play in promoting the profitability of banks. A sample of 90 respondents participated in the study and questionnaires were distributed to them. The study revealed that accounting experience an auditor has, coupled with his efficiency greatly give a bearing on the bank's quality of financial reporting. According to the study, other attributes of auditors like his neutrality and independence do not inflate a bank's quality of financial reporting in any way. It was also found out that the more the number of meeting internal audit together with the size of the IA held negatively directed the quality of financial reporting of their commercial banks.

In Nigeria, Ezejiofor and Okolocha (2020) took interest in outlining the significant role played by IA on the overall quality of financial reporting of commercial banks. The specific objectives were to determine the level at which IA control influences the profitability of banks and also to report on the extent to which IA helps in alleviating swindling of funds from the institutions. To achieve these objectives, a survey research design was used. A sample of 60 employees participated in the study. The study revealed that IA has a vital role to play in promoting banks' overall quality of financial reporting and for this reason it was recommended on the need for the banks to support IA department so as to help it eliminate such vices as fraud which usually eats into the banks' profitability.

In order to examine the connection between the IA and quality of financial reporting of banking institutions in Rwanda, Didier (2016) focused on three objectives namely to

investigate the impact of internal audit on return of assets of Ecobank Rwanda, to examine the role played by IA as appropriate means of detecting fraud in Ecobank Rwanda and to establish the degree of relatedness between IA the growth of Ecobank Rwanda. The study adopted a descriptive design. From a total population of 200 Ecobank Rwanda staff, a sample of 64 staff from six departments of the bank was purposively selected. The study realized that IA has a direct and positive benefit on the profitability of banking institutions. Specifically, it was observed that better internal audit results in improved return of assets, it is very useful in detecting errors and fraud.

Nansamba (2019) contributed to this field of academia by documenting on the association between IA and quality of financial reporting among the financial institutions which were operating within the republic of Uganda, with special focus on Stanbic bank. More precisely, the study wanted to evaluate how professional competence of IA, monitoring and control and risk management practices drive performance of Stanbic Bank. A constructed questionnaire was given to 20 participants and then analyzed using inferential statistics. From the analysis, it was easy to conclude that all the three aspects of the independent variable had a noticeable influence on the banks' performance. In view of this, a recommendation was put forth on the need for management in commercial institutions to adopt effective internal audit practices.

In Kenya, Njiru (2016) added to this field of study by documenting on the role of internal controls on the quality of financial reporting among public firms which have ventures in water supply. The main objectives were to access the effect of segregation of duties, cash reconciliations, inventory audits and cost management on water companies' performance. The study adopted a descriptive survey study research design and a sample of 60 chief

internal auditors was purposively selected to participate in the study. A questionnaire was used to collect the relevant information. It was observed that segregation of duties, cash reconciliations, inventory audits and cost management promotes the quality of financial reporting of water companies.

Kabue (2020) found solace in studying the impact of IA practice on performance of public commissions, with special focus on the Parliamentary Service Commission of Kenya. The study involved a census of 57 individuals consisting of 19 public accountants, 19 public investment and 19 members of special fund accounts committee. The results showed that IA knowledge and controls had insignificant role to play in boosting performance. Only the top management support of IA was found to play a vital role in positively changing the performance of the said commissions. In view of this, it was recommended that the commissions need to uphold IA experience since it was realized that its role can positively steer the quality of financial reporting of the commissions.

Nyaga et al. (2018) wanted to know whether IA independence had any significant role to play in promoting the quality of financial reporting among Kenya's county governments. Descriptive research design played the role of steering the process of this research. The directors of IA from each of the 46 counties participated in the survey. It was realized that IA worked under interference from other departments of the county especially the top level management. The study further observed that independence of IA often leads to quality of financial reporting of the counties. In this regard, the report recommended on the strong need for the directorate of IA to be accorded the necessary freedom to undertake their daily activities without undue interference from outside parties since it was felt that in most cases this compromised quality of financial reporting.

Mburunga et al. (2016) sought to inquire whether IA's freedom drives the quality of financial reporting of those banks that have secured a slot at NSE. The report followed descriptive survey research design. A census of seventy six took part in the research. To test the hypothesis, the study opted to use a Chi Square. This study stated that a bank is most likely to experience a positive performance when its IA is accorded minimal or little freedom to undertake their activities as opposed to then they are interfered with by other parties especially other members of the top management. According to the study, even a mere allocation of budget to the IA was enough indicator of IA's independence and hence a sufficient motivator to steer IA towards promoting increased productivity.

Serem et al. (2020) determined how influential audit fees are to the financial well-being of savings and credit cooperative societies, with an intention to expose the impact of audit fees, audit firm tenure, auditor independence and auditors' experience on the financial well-being of savings and credit cooperative societies. A sample of 48 respondents was selected using purposive sampling technique. The study opted to use obtained using a structured questionnaire while secondary information were also obtained from the SACCOs' financial reports. From the study, it became evident that whereas three variables under study (audit fees, audit firm tenure and auditors' experience) exhibited a positive and significant impact on the savings and credit cooperative societies, IA's independence also contributed positively though insignificantly, on the quality of financial reporting of the SACCOs.

In Kenya, Geke (2017) analyzed the impact of risk based audit practices on quality of financial reporting of public owned sugar companies with objectives to establish the effect of risk management, annual risk based planning and internal audit capacity on financial performance. The target population for the study constituted 50 respondents, comprising

finance officers, deputy finance officers and internal auditors in the selected public owned sugar companies in Kenya. A questionnaire was used to harvest the relevant information. The research reported that risk management, internal audit capacity and annual risk based planning have a significant positive relationship with quality of financial reporting.

In Kenya, Koskei and Otinga (2021) documented on the influence of internal audit standards on financial sustainability in County governments. The study was carried out under the hypothesis that internal audit standards do not significantly influence financial sustainability County Government. To achieve this objective, an explanatory survey design was used with a sample size of 86 respondents used to fill a structured questionnaire. The study found out that internal audit standards had direct link with the financial well-being of County Government. It was therefore concluded that well monitored internal audit standards can deter deliberate accounting errors and save county government huge finances hence enable them sustain their financial expenditures, and hence recommended on the need for the county governments to support effective internal audit standards that do not compromise audit quality.

Kabue (2020) documented on the impact of the practices adopted by IA on the overall quality of financial reporting, having a special focus on the Parliamentary Service Commission (PSC) of Kenya, with an aim to examine the influence of expertise of the internal auditing staff, internal audit controls, and top executive support on the overall performance of the commissions. The study was a census of 57 members of the PSC which constituted public accountants, public investment and the special fund accounts committee members. The study followed a descriptive study design. The results from analysis revealed that by embracing IA practices, the commissions are likely to experience better performance.

Among the aspects of IA that were identified include managerial and financial regulations, and review of the procedure and processes that were in use by the IA. The various aspects of IA were found to bear mixed results in the sense that whereas some of them (IA expertise and top executive support) offered a significant helping hand to financial well-being, IA control played an insignificant role in promoting performance. As part of the recommendations therefore, this brought up the need for the management to pay attention to IA expertise since it was observed to be the most vital of all in promoting the quality of financial reporting.

Moenga and Merepei (2021) saw the need to study the role played by IA on the quality of financial reporting of the tea factories licensed to undertake value addition on tea leaves within Kisii County, purposing to determine the effect of audit, separation of duties, access regulation and homogenous record keeping on the financial well-being. The research was it prudent to adopt descriptive research and a census of 72 respondents participated in the study. Homogenous record keeping was praised as a vital and significant contributor towards increased financial well-being. It was also noted that factory had an access authorization system for all firm documents and records. It was concluded that there was a positive correlation between separation of duties and quality of financial reporting and therefore recommended that tea factories should embrace on accessibility to internal control systems for them to improve their quality of financial reporting based on correlations values.

Omwono and Wanyama (2021) did a scholarly article on the impact of IA function on the financial performance of Coca Cola Company operating in Eldoret. Specifically, the research wanted to examine the influence of internal audit function, risk management, budgetary control and financial accountability on the financial well-being of Rift Valley branch of Coca Cola Company. A descriptive cross-sectional research design formed the

pillar of the study where a census of 40 respondents who were drawn from the departments of Finance, Procurement and Human Resource. The study developed sufficient reasons to believe that all the three variables under study (risk management, budgetary control and financial accountability) had a great influence on the financial performance of the said company. In view of this, the study recommended on the need for the company to embrace IA of their creditors and this will improve on their financial performance; and that they should always practice IA function in a positive way as it is communicated by employees and follow their contents in the day to day running of the organization activities.

In order to seek clarification on the link between IA independence and financial management, Kaboi et al. (2018) documented on Kirinyaga County Government whereby the association between IA independence and internal audit effectiveness was scrutinized. This research relied a descriptive research design and a sample of 46 participants provided the needed information. The findings from regression analysis showed that internal audit independence had positive and significant effect on internal audit effectiveness and this led to the conclusion that internal audit independence was an important predictor of the effectiveness of the audit function in the county government. It was because of these findings that it was recommended on the need for county government to ensure that the county directorate of internal audit is autonomous and freely accesses audit evidence necessary in the course of their audit work.

Listed commercial banks in Kenya have also been used to provide more conclusion in this field of knowledge. A study by Njung'e (2019) analyzed the significant role played by Internal Audit Function on financial well-being specifically in the period 2013-2017. More precisely, the study sought to evaluate the importance of the internal auditor's competence, internal audit independence and audit committee on the financial performance of the said

banks. By following a descriptive research design and using a sample of 104 subjects from the eleven listed commercial banks, the study established that internal auditor's competence in educational, professional and technical skills boosted a firm's financial performance by a great extent. It was also reported that by having a qualified IA staff, internal control lapses are likely to be noted in time and corrective actions adopted so as to mitigate wastage and loss in an organization. Further, it was observed that by having an active audit committee in place, an organization is likely to experience an effective IAF. It is in view of these findings that it was recommended that organizations need to ensure its internal auditors are properly and continuously trained and resourced in an effort to improve their skills.

2.3 Knowledge gap

From the above literature, it is evident that there is scanty information as regards to the factors influencing the quality of financial reporting. The studies that have done have not focused on the deposit taking SACCOs in Kenya. For instance, in an effort to address the association of staff capacity and the quality of financial reporting, Otibine (2016), Kwamboka (2018) and Bundi (2020) examined the only one aspect of the qualities of financial reporting. A study by Makau (2017) focused on insurance companies while Wachinga (2016) found solace in tea development agencies.

As far as top management expertise is concerned, Githaka (2017) addressed only one aspect of financial reporting (top management expertise) in the study on SACCOs. An investigation was done by Gitonga et.al. (2019) based his argument on listed companies and that means that the findings may not necessarily apply to DTS.

Although Njihia and Mwirigi (2014) looked at ERP, the study involved micro and small enterprises and therefore cannot be generalized to DTS. While Ali et al. (2020) based

his argument on commercial banks while Rono (2020) analyzed how ERP offered support to the quality of financial reporting of supermarkets and consequently the findings are likely to be different from those of DTS.

As far as the quality of internal audit is concerned, Geke (2017) looked at public owned sugar companies while Koskei and Otinga (2021) looked at one aspect of financial reporting (internal audit) and the study was pegged on data from county governments. Kabue (2020) focused on the Parliamentary Service Commission (PSC) of Kenya, while Moenga and Mereipei (2021) examined tea processing factories. There is no study known to the researcher that has been done to address the factors influencing the quality of financial reporting with focus on counties, hence the reason why this study is done so as to bridge the gap.

2.4 Conceptual Framework

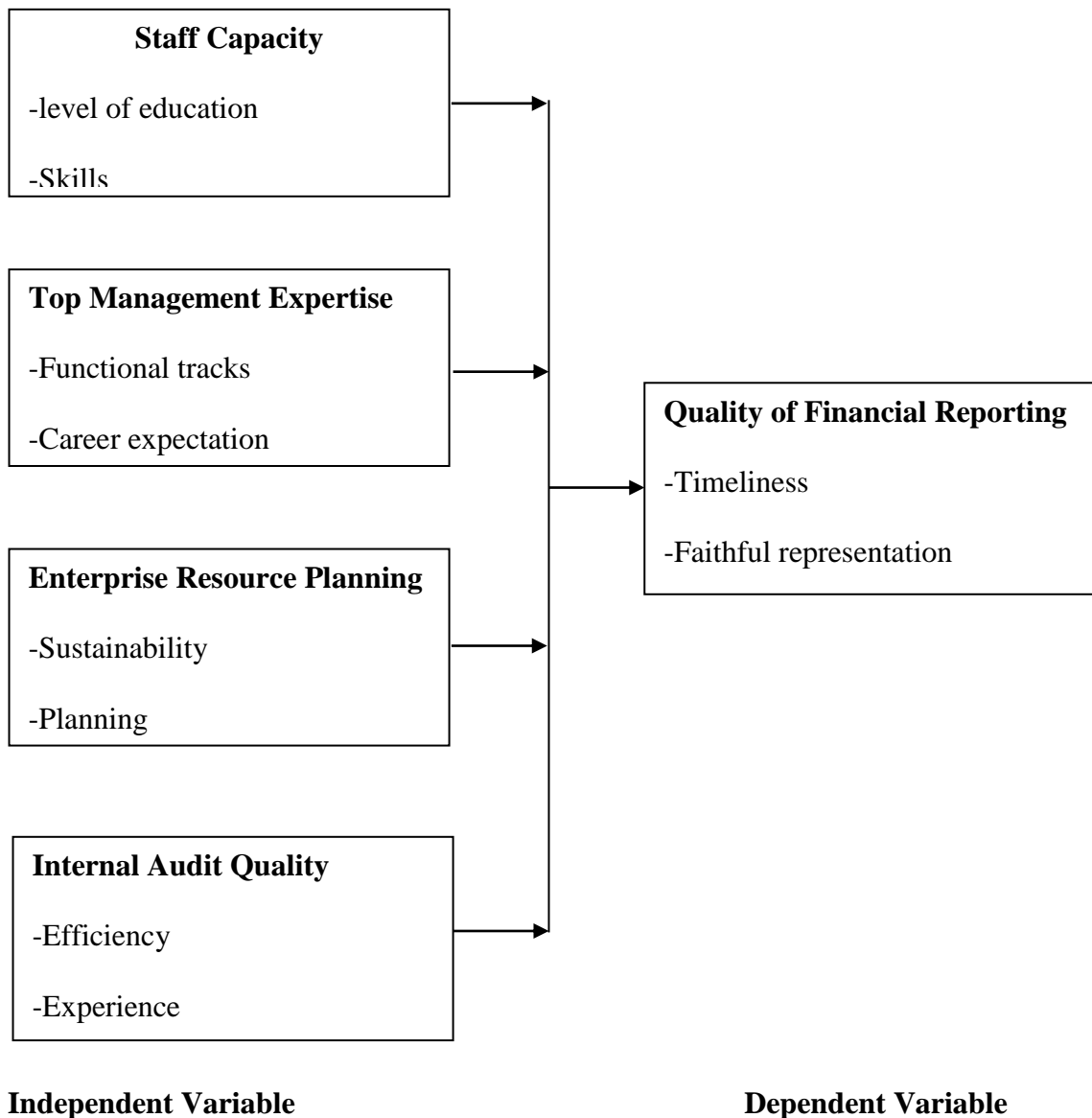


Figure 2.1: Conceptual Framework
Source: Researcher (2022)

Figure 2.1 shows the conceptual framework for the factors influencing quality of financial reporting of deposit taking SACCOs. The independent variable is financial reporting quality which is defined as the faithfulness of the information conveyed by the financial reporting process (Mettinez-Ferrero, 2014). Financial reporting quality encompasses staff capacity, top management expertise, enterprise resource planning and internal audit quality; while the dependent variable is financial performance, which refers to the extent to which a firm employs the use of its assets so as to generate profits from its daily operations. It is perceived that if an organization has provided staff capacity with high level of education and skills, the top management are supportive of the system and the organization, the enterprise resource planning is effective and sustainable and that not only is the internal audit quality efficient but also experienced, then the quality of financial reporting will be improved.

2.5 Operationalization of Variables

Variable	Measurement	Question
Staff Capacity	skilled personnel who are accountable in their work	Likert Scale
	Knowledgeable monitoring and evaluation officers in the day-to-day management	Likert Scale
	Key issues identified to improve the safety in the organization	Likert Scale
	M&E human capacity building in form of training, in-service training, mentorship, coaching and internships.	Likert Scale
	Formal training and on-the-job experience to develop evaluators	Likert Scale
Top Management Expertise	Adequate relevant knowledge	Likert Scale
	Adequate and relevant skills	Likert Scale
	Adequate and relevant experience	Likert Scale
Enterprise Resource Planning	Flexible approach to sharing knowledge	Likert Scale
	Positive feeling toward knowledge sharing	Likert Scale
	Knowledge sharing conveniently	Likert Scale
	Provision of reports to match my needs	Likert Scale
	Easy to learn how to use the ERP system	Likert Scale
	ERP improves individual productivity	Likert Scale
Quality of Internal Audit	Internal audit control has designed an internal audit manual	Likert Scale
	The internal audit control detects fraud	Likert Scale
	The internal audit procedures report to management	Likert Scale
	Internal audit procedures planned accurately	Likert Scale
	The internal auditors demonstrate professionalism	Likert Scale

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This section presents the research design, target population, sample size and the sampling procedure and data collection procedure. The chapter also presents data processing and analysis and research instruments.

3.2 Research Design

Research design has been defined as a blue print showing the procedure a research will follow in order to achieve its intended objectives (Nyanamba, 2018). This study adopted a descriptive research design. This research design was aimed at gauging the features outlined in a research question and allowed significant explanation of measurements by use of minimal statistics (Kagunda, 2018). The study was carried out over a period of 16 weeks from April to July 2022.

3.3 Target Population

Target population refers to the group of subjects with observable characteristics similar to those subjects under study (Kothari, 2008). The target population for this study was the 42 deposit taking SACCOs in Nairobi County which were licensed by SASRA as at 31st December 2021 as listed in Appendix 1 (SASRA, 2022). This means that the target respondents were 126 members. This consisted of Internal Audit staff, Finance Officers and Deputy Finance Officers for all the 42 DTS. These registered SACCOs were deemed fit for study because they operated under strict regulation of SASRA and therefore subscribed to the same policies and operating procedures.

Nairobi County had been deemed fit for study because majority of deposit taking SACCOs are located here, therefore, the outcome of the study could adequately be

generalized. Being a cosmopolitan county, it is also hoped that there was no biasness as far as management, depositing and saving pattern of the members was concerned.

3.4 Sampling and Sampling Procedure

A sample is that part of the population which is selected for analysis and whose findings are used to generalize about the population (Orodho, 2012). Since the population was small, the study used census to get the relevant information. This means that the study used a census of the 42 deposit taking SACCOs in Nairobi County.

3.5 Research Instruments

The researcher used primary data. The primary source of information involved administration of a structured questionnaire. These were collected by using a structured questionnaire which consisted of both open ended and closed ended questions.

3.6 Data Collection Procedure

The study used primary data. The primary data were obtained by the use of a structured questionnaire which was administered to the respondents. The structured questionnaire was divided into sections each of which addressed a particular objective.

3.7 Data Processing and Analysis

In order to gain useful information from the data, an analysis of the data was carried out. This involved the use of both descriptive and inferential statistics using Statistical Package for Social Sciences (SPSS) version 24. The significance of the model was tested using the analysis of the variance (ANOVA). The coefficient of determination was also used in an effort to show how the model explains the deviations in the independent variable. Various diagnostic tests (Multicollinearity, heteroscedasticity and autocorrelation tests) were undertaken so as to ascertain the suitability of the data for analysis. Then, a regression

analysis was done so as to mathematically examine the relationship between the independent and the dependent variable under study. The output from the regression model lead to formulation of a regression model which was presented in the form below:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Y is the Quality of Financial Reporting

$\beta_1, \beta_2, \beta_3$ and β_4 are coefficients

X_1 is Staff Capacity

X_2 is Top Management Expertise

X_3 is Enterprise Resource Planning

X_4 is Quality of Internal Audit

ε is the error term

The results of this research were presented in charts, figures and tables.

3.8 Diagnostic Tests

In order to ascertain the suitability of the data in analysis and drawing conclusion upon, the researcher undertook diagnostic tests. This involved testing for linearity, normality tests, auto-correlation, tests on multicollinearity, and heteroscedasticity.

3.8.1 Heteroscedasticity

Heteroscedasticity refers to a situation where there is unequal or uneven distribution in variance on the residuals in data. For this reason, the research deems it fit to ascertain whether or not there exists heteroscedasticity in the data. In order to test for heteroscedasticity, the study will undertake Glesjer test. If the p-value is less than 0.05, then the data will be regarded as being free of heteroscedasticity

3.8.2 Normality Test

It is important that data used in the analysis follows a normal distribution. It is for this reason that tests of normality were done to ascertain whether the sample data was drawn from

normally distributed data. In order to test for normality, the study used Kolmogorov Smirnov and Shapiro-Wilk tests. The data would be regarded as following normal distribution if the p-value was found to be greater than 0.05.

3.8.3 Autocorrelation Test

Tests for auto correlation are conducted to ascertain that the errors are independent and not as a result of others. In order to test for autocorrelation, the study undertook a Durbin Watson scale was used. The data would be regarded to be serially autocorrelated when the values would fall between 1.5 and 2.5.

3.8.4 Test for Multicollinearity

It is necessary that the independent variables are independent of each other that is, the variables are supposed to be independent in a linear regression relationship. In order to establish whether or not there is collinearity between the independent variables, the study undertook a Variance Inflation (VIF) test. If the value of VIF was less than 10, then it would be concluded that multicollinearity does not exist between the variables.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

4.0 Introduction

This chapter presents the results of the analysis that was done on the data which were obtained from the respondents by use of a questionnaire. Specifically, It presents the response rate, the descriptive statistics and inferential statistics of the data.

4.1 Response Rate

The study sought to establish the factors influencing quality of financial reporting of deposit taking SACCOs in Nairobi County, Kenya. Out of the 126 respondents to whom a questionnaire was administered, 122 filled the questionnaire fully and returned to the researcher, representing a 96.8% response rate. This was considered adequate to use in drawing conclusions upon.

4.2 Reliability Tests

The study sought to undertake reliability tests to by calculating Cronbach's alpha. The results were as shown on table 4.1.

Table 4.1: Reliability Tests

Variable	Cronbach's Alpha Value	Number of Items Measured
Staff capacity	0.705	6
Top management expertise	0.831	4
Enterprise resource planning	0.722	9
Quality of internal audit	0.837	6

Source: Research Data (2022)

As table 4.1 shows, the study found out that all the variables under study had a Cronbach's alpha of more than 0.7 indicating that the variables are reliable.

4.3 Diagnostic Tests

In order to ascertain the suitability of the data in analysis and drawing conclusion upon, the researcher will undertake diagnostic tests. This will involve testing for linearity, normality tests, auto-correlation, tests on multicollinearity, and heteroscedasticity.

4.3.1 Heteroscedasticity

The study sought to test for heteroscedasticity. This was achieved by use of the Breusch-Pagan test. This test was done under the null hypothesis that there is no heteroscedasticity. The outcome of the analysis is on table 4.2.

Table 4.2: Test for Heteroscedasticity

Breusch-Pagan test for heteroscedasticity	
chi(1)	0.192
Prob>chi2	0.037

Source: Researcher (2022)

As table 4.2 shows, the p value was 0.037. Since this value was less than the critical value of 0.05, the study concluded that there was no heteroscedasticity.

4.3.2 Normality Test

The study undertook a test for normality to ascertain whether the data followed a normal distribution. This was achieved by carrying out a Kolmogorov Smirnov and Shapiro-Wilk test and the findings were as presented in table 4.3 below:

Table 4.3: Normality Test

	Shapiro-Wilk		
	Statistic	df	Sig.
Staff capacity	.904	121	.066
Top management expertise	.933	121	.051
Enterprise resource planning	.921	121	.097
Quality of internal audit	.937	121	.069

The findings in table 4.3 show that all the p-values were greater than the critical value of 0.05 and this led to the conclusion that the data was normally distributed meaning that the data was reliable to give a valid results.

4.3.3 Autocorrelation Test

The research undertook a Durbin-Watson test to ascertain whether the errors were independent thus exhibiting lack of autocorrelation or not. The errors were to be regarded as being independent of each other when the value of Durbin-Watson is between 1.5 and 2.5. The findings are presented in table 4.4.

Table 4.4: Autocorrelation Test

Model	Durbin-Watson
1	2.514

Source: Researcher (2022)

As table 4.4 shows, the Durbin Watson value was 2.514 and this led to the conclusion that the errors are not serially autocorrelated.

4.3.4 Test for Multicollinearity

The study saw it necessary to examine whether there existed multicollinearity between the study variables. To achieve this, the VIF test was carried out. Multicollinearity is

said to exist when the value of VIF is above 10. The findings yielded the following results in table 4.5.

Table 4.5: Test for Multicollinearity

	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
Staff capacity	0.322	3.107
Top management expertise	0.334	2.991
Enterprise resource planning	0.370	2.703
Quality of internal audit	0.505	1.982

a. Dependent Variable: Quality of Financial Reporting

Table 4.5 shows that the values for VIF for all the variables were less than 10 and this led to the conclusion that there was no multicollinearity between the study variables.

4.4 Gender of the Respondents

The researcher sought to determine the composition by gender, of the respondents involved in the study. This was with a view to ascertain whether or not each gender was well represented in the study. Figure 4.1 gives the results.

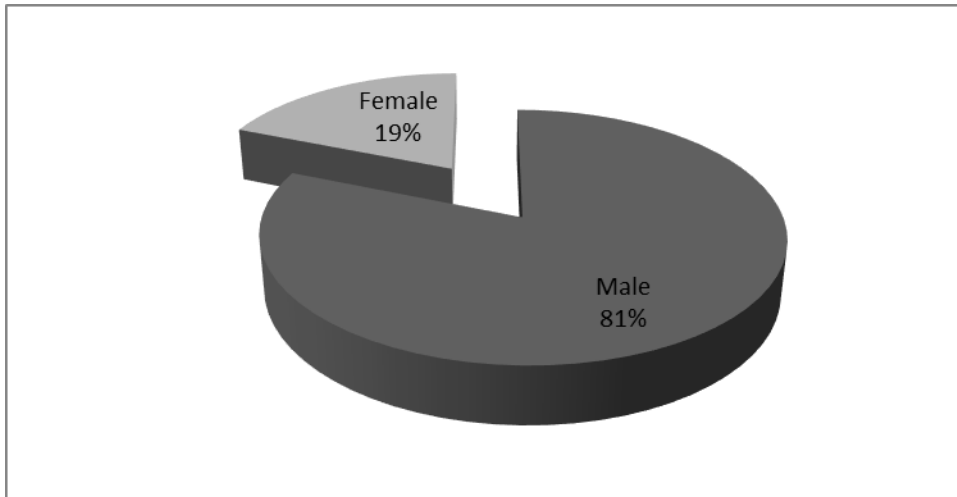


Figure 4.1: Gender of Respondents

As figure 4.1 depicts, the study found out that 81% of the respondents were males while 19% of the respondents were females. This shows that females were very much underrepresented in the study.

4.5 Respondents' Age

The study sought to know the age of the respondents involved in the study. To achieve this, various ages were grouped in clusters and the respondents were asked to identify the age brackets to which they belonged, hence yielding the results in figure 4.2 below:

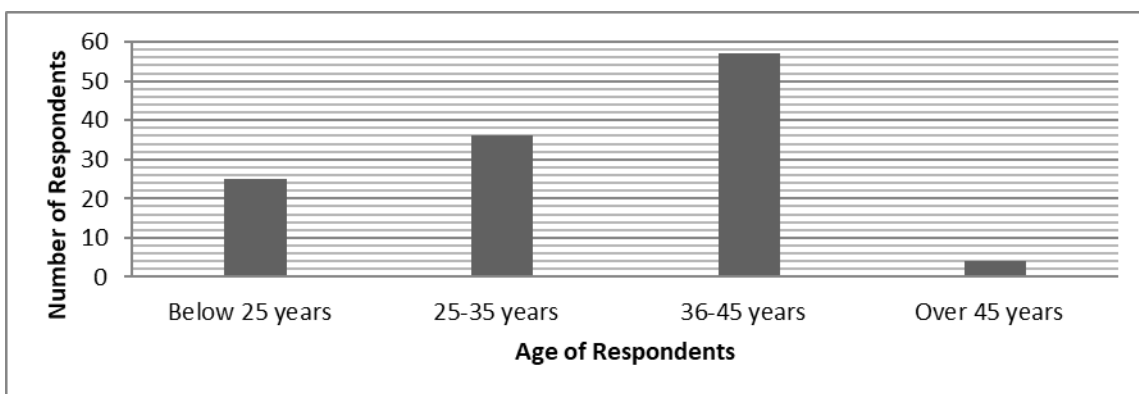


Figure 4.2: Distribution of the Age of Respondents

Figure 4.2 shows that 57 respondents were of age between 36-45 years of age. This was followed by 36 respondents who were of age between 25-35 years of age, then 25

respondents whose age was below 25 years of age. The least number of respondents was that whose age was over 45 years of age. This findings shows that majority of the respondents was in the 36-45 years age bracket.

4.6 Respondents Highest Level of Education

The respondents were asked to disclose their highest level of education. This was aimed at ascertaining whether or not the respondent had the required level of education which can enable them perform their duties effectively. Figure 4.3 gives the results:

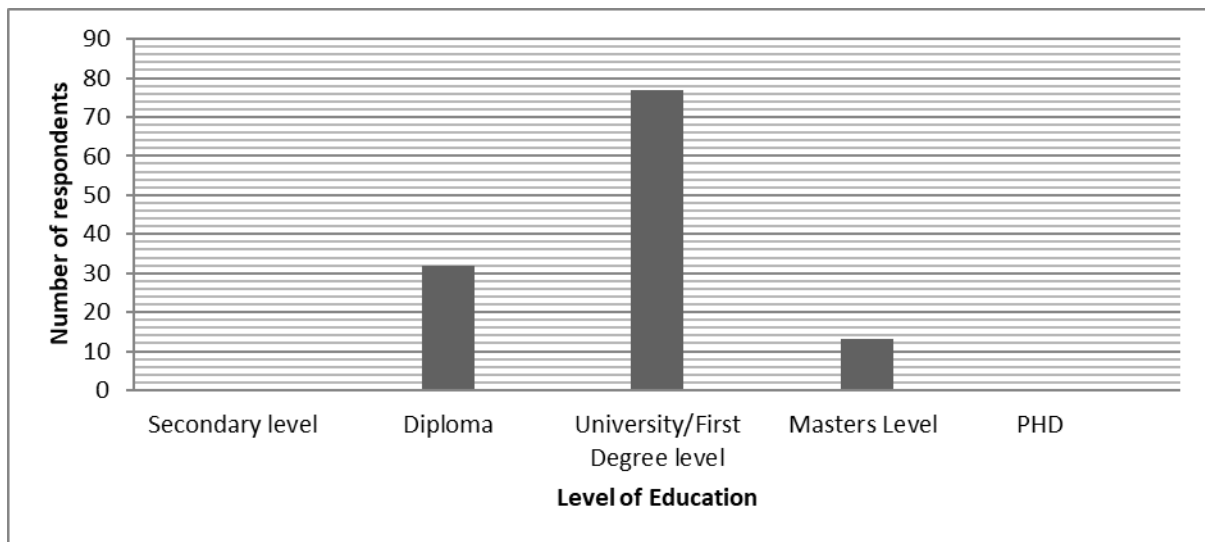


Figure 4.3: Distribution of Respondents' Highest Level of Education

As evident in figure 4.3, the study found out that 32 respondents had diploma level of education, 77 respondents had first degree level of education while only 13 respondents had masters' level of education. This shows that majority of the respondents had first degree level of education.

4.7 SACCOs' Staff Capacity

The first objective of the study was to assess the influence of staff capacity on financial performance of deposit taking SACCOs in Nairobi County, Kenya. To achieve this objective,

some questions were provided on a five point likert and the respondents were asked to rate. The results were as presented in table 4.6.

Table 4.6: Opinion on SACCOs’ Staff Capacity

	Strongly Agree 5	Agree 4	Not Sure 3	Disagree 2	Strongly Disagree 1	$\frac{\sum f_i x_i}{\sum f_i}$
Both formal training and on-the-job experience are important in developing evaluators	113	9	0	0	0	4.93
Good staff training on M&E improves the financial performance of the SACCO by providing quality working conditions in the organization	103	18	0	1	0	4.83
The monitoring and evaluation officers in our SACCO are knowledgeable in the day-to-day management of monitoring and evaluation systems	18	101	0	2	1	4.09
Our SACCO has skilled personnel who are accountable in their work	21	91	4	5	1	4.03
Good system identifies key issues as well as root of problems that the SACCO wants to address which improves the safety in the organization	19	31	35	28	9	3.19
M&E human capacity building in this SACCO has a wide range of activities, including formal training, in-service training, mentorship, coaching and internships.	13	35	28	24	22	2.94
Average Weighted Mean						4.0

The results in table 4.6 shows that the respondents agreed that both formal training and on-the-job experience are important in developing evaluators (weighted mean4.93), that good staff training on M&E improves the financial performance of the SACCO by providing quality working conditions in the organization (weighted mean of 4.83), that the monitoring

and evaluation officers in our SACCO are knowledgeable in the day-to-day management of monitoring and evaluation systems (weighted mean of 4.09) and that their SACCOs had skilled personnel who are accountable in their work (weighted mean of 4.03).

However, the study found out that the respondents were not sure whether good system identifies key issues as well as root of problems that the SACCO wants to address which improves the safety in the organization (weight of 3.19). Further, the respondents disagreed to the claims that M&E human capacity building in this SACCO has a wide range of activities, including formal training, in-service training, mentorship, coaching and internships (weighted mean of 2.94). The average weighted mean of 4.0 shows that the respondents are in agreement that indeed staff capacity is important to the well-being of the SACCOs.

4.8 Opinion on Top Management Expertise

The second objective of the study was to examine the influence of top management expertise on financial performance of deposit taking SACCOs in Nairobi County, Kenya. A list of questions on top management expertise were provided on a five point likert and the respondents were asked to rate them. Table 4.7 gives the results:

Table 4.7: Opinion on Top Management Expertise

	Strongly Agree 5	Agree 4	Not Sure 3	Disagree 2	Strongly Disagree 1	$\frac{\sum f_i x_i}{\sum f_i}$
Our top management has adequate experience relevant to the SACCOs requirements	103	18	0	1	0	4.83
Our top management has adequate knowledge relevant to the SACCOs requirements	68	50	1	2	1	4.49
Our top management has adequate skills relevant to the SACCOs requirements	51	71	0	0	0	4.42
Our top management have enough expertise relevant to the SACCOs requirements	64	31	7	12	8	4.07
Average Weighted Mean						4.45

Table 4.7 shows that the respondents agreed that their top management has adequate experience relevant to the SACCOs requirements (weighed mean of 4.83), that the top management has adequate knowledge relevant to the SACCOs requirements (weighed mean of 4.49), that their top management has adequate skills relevant to the SACCOs requirements (weighed mean of 4.42), and that their top management have enough expertise relevant to the SACCOs requirements (weighed mean of 4.07). The average weighted mean of 4.45 imply that the SCCOs' top management has expertise needed to perform their work effectively.

4.9 Opinion on Enterprise Resource Planning

The third objective of the study was to determine the influence of enterprise resource planning on financial performance of deposit taking SACCOs in Nairobi County, Kenya. For

this reason, a list of questions on ERP were provided on a five point likert and the respondents were asked to rate them. Table 4.8 gives the findings:

Table 4.8: Opinion on Enterprise Resource Planning

	Strongly Agree 5	Agree 4	Not Sure 3	Disagree 2	Strongly Disagree 1	$\frac{\sum f_i x_i}{\sum f_i}$
Our ERP system is beneficial for me for performing all the tasks assigned to me in a timely fashion	119	3	0	0	0	4.98
The ERP system provides reports that exactly match my needs	112	10	0	0	0	4.92
Our ERP improves individual productivity	105	11	0	4	2	4.75
The ERP system provides the precise information needed for my job	68	33	21	0	0	4.39
My feeling toward knowledge sharing is favorable	35	71	11	3	2	4.10
The ERP system provides sufficient information	17	100	4	1	0	4.09
Overall, we can conduct knowledge sharing conveniently	25	26	35	15	21	3.16
It takes too long to learn how to use the ERP system	7	17	14	45	39	2.25
Our approaches to sharing knowledge are very flexible in time and place	0	0	12	77	33	1.83
Average Weighted Mean						3.83

As table 4.8 depicts, the study found out that the ERP systems were beneficial to them for performing all the tasks assigned to them in a timely fashion (weighted mean of 4.98) and that the ERP system provided reports that exactly match their needs (weighted mean of 4.92). The study further revealed that their ERP improved individual productivity (weighted mean of 4.75), that it provided the precise information needed for their job (weighted mean of 4.39), that their feeling toward knowledge sharing was favorable (weighted mean of 4.10) and that the system provided sufficient information (weighted mean of 4.09).

The research also revealed that as much as the respondents were not sure whether they can conduct knowledge sharing conveniently through ERP system (weighted mean of 3.16), they disagreed with the claims that it takes too long for them to learn how to use the ERP system (weighted mean of 2.25) and they also strongly disagreed to the claims that their approaches to sharing knowledge are very flexible in time and place (weighted mean of 1.83). The average weighted mean of 3.83 indicated that the respondents were not sure whether or not ERP was helpful to the organization.

4.10 Opinion on Quality of Internal Audit

A list of questions measuring the quality of internal audit were provided on a five point likert and the respondents were asked to rate them. Table 4.9 gives the summary:

Table 4.9: Opinion on Quality of Internal Audit

	Strongly Agree 5	Agree 4	Not Sure 3	Disagree 2	Strongly Disagree 1	$\frac{\sum f_i x_i}{\sum f_i}$
The internal audit control plays a vital role in detecting fraud in the SACCO	66	52	4	0	0	4.51
Internal audit control has designed an internal audit manual that guides audit operations such as planning, , monitoring, and evaluation	20	21	50	18	13	3.14
The internal audit procedures report to management on the extent of the application of accounting principles and international.	5	23	37	54	3	2.78
Internal audit procedures monitor the performance of the internal auditor's management to ensure compliance with internal audit standards.	0	23	27	63	9	2.52
The internal audit procedures ensure that internal auditors in the SACCO demonstrate professionalism and an objective approach.	19	18	11	33	41	2.52
Internal audit procedures planned stages accurately reveal the extent of compliance of internal audit process	0	18	21	73	10	2.39
Average Weighted Mean						2.98

The results in table 4.9 shows that the respondents agreed that the internal audit control plays a vital role in detecting fraud in the SACCO (weighted mean of 4.51). However, the respondents seemed not sure whether internal audit control has designed an internal audit manual that guides audit operations such as planning, monitoring, and evaluation (weighted mean of 3.14). Further, it was established that the respondents disagreed to the claims that internal audit procedures report to management on the extent of the application of accounting

principles and international (weighted mean of 2.78), that internal audit procedures monitor the performance of the internal auditor's management to ensure compliance with internal audit standards (weighted mean of 2.52), that the internal audit procedures ensure that internal auditors in the SACCO demonstrate professionalism and an objective approach (weighted mean of 2.52), and that internal audit procedures planned stages accurately reveal the extent of compliance of internal audit process (weighted mean of 2.39). The average weighted mean of 2.98 showed that the respondents disagreed to the claim that quality internal audit is material to the SACCOs.

4.11 Correlation Analysis

The study was interested in evaluating the degree of relatedness between the study variables. To achieve, this, a correlation analysis was done. The findings are presented in table 4.10.

Table 4.10: Correlation Results

		Staff capacity	Top management expertise	Enterprise resource planning	Quality of internal audit	Quality of financial reporting
Staff capacity	Pearson Correlation	1				
	Sig.					
Top management expertise	Pearson Correlation	.617	1			
	Sig.	.045	.039			
Enterprise resource planning	Pearson Correlation	.555	.451	1		
	Sig.	.021	.046			
Quality of internal audit	Pearson Correlation	.703	.639	.800	1	
	Sig.	.037	.001	.009		
Quality of financial reporting	Pearson Correlation	.441	.779	.672	.729	1
	Sig.	.002	.003	.042	.047	

*Correlation is significant at the 0.05 level (2-tailed).

Source: Researcher (2022)

Table 4.10 shows that staff capacity ($r=.441$, P value= 0.002) had a weak positive significant influence on quality of financial reporting, while top management expertise had a strong

positive significant influence on the quality of financial reporting($r=.779$, p value=.045). It was also noted that ERP had a strong significant influence on the quality of financial reporting($r=.672$, p value=.042) while quality of internal audit had a strong positive significant influence on quality of financial reporting($r=.729$, p value=.047).

4.12 Model Summary

The study wanted to know the variation of the dependent variable as a result of the independent variables. This led to the model summary presented in table 4.11.

Table 4.11: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.637	.404	.399	1.072

Source: Researcher (2022)

As table 4.11 depicts, the results showed that 40.4% of the total variation in the quality of financial reporting could be explained by the independent variables under study while the remaining 59.6% of the variations in the quality of financial reporting could be explained by the variables under the model.

4.13 ANOVA Results

The study run an analysis of variance test so as to ascertain the significance of the overall model. The results were as tabulated in table 4.12.

Table 4.12: ANOVA Results

Model	Sum of Squares	df	Mean Square	F	Sig.
1	305.32	4	76.33	13.981	0.000
	638.82	117	5.46		
	944.14	121			

a. Predictors: (Constant), Staff capacity, Top management expertise, Enterprise resource planning, Quality of internal audit

b. Dependent Variable: Quality of financial reporting

Source: Researcher (2022)

The results in table 4.12 shows that the p-value is 0.000 which is less than the critical value of 0.05 and this led to the conclusion that the model was significant in predicting the quality of financial reporting.

4.14 Regression Coefficients

The reserch undeertook a multiple regression analysis so as to determine the nature of the relationship that exists between the independent variables and the dependent variable.

Table 4.13 gives the results:

Table 4.13: Regression Coefficients

Model		Unstandardized Coefficients		Beta	Standardized Coefficients	Sig.
		B	Std. Error		t	
1	(Constant)	0.627	0.204		2.802	0.019
	Staff capacity	0.311	0.117	0.306	1.776	0.003
	Top management expertise	0.472	0.098	0.435	3.860	0.020
	Enterprise resource planning	0.224	0.113	0.111	2.795	0.000
	Quality of internal audit	0.513	0.216	0.321	4.853	0.000

a. Dependent Variable: Quality of financial reporting

Source: Researcher (2022)

Table 4.14 shows that staff capacity had a positive significant effect on the quality of financial reporting (B-value 0.311, p-value 0.003), implying that a unit increase in the staff capacity resulted in 0.311 units increase in the quality of financial reporting; and that top management expertise had a positive significant effect on the quality of financial reporting (B-value 0.472, p-value 0.020), implying that a unit increase in the top management expertise resulted in 0.201 units increase in the quality of financial reporting. It was also found out that ERP had a positive significant effect on the quality of financial reporting (B-value 0.224, p-value 0.000), implying that a unit increase in the ERP resulted in 0.224 units increase in the

quality of financial reporting; and that quality of internal audit had a positive significant effect on the quality of financial reporting (B-value 0.513, p-value 0.000), implying that a unit increase in the quality of internal audit resulted in 0.513 units increase in the quality of financial reporting.

From the above figures, a multiple regression model was formulated as shown below:

$$Y = 0.627 + 0.311X_1 + 0.472X_2 + 0.224X_3 + 0.513X_4$$

Where;

Y = Quality of financial reporting

X_1 =Staff capacity

X_2 =Top management expertise

X_3 =Enterprise resource planning

X_4 =Quality of internal audit

4.15 Operationalization of the hypotheses

The criteria used to reject or fail to reject the hypotheses were as presented on table 4.14:

Table 4.14: Operationalization of the hypotheses

Hypothesis	Decision Criteria
H_{01} : Staff capacity has no significant influence on the quality of financial reporting of deposit taking SACCOs in Kenya	<i>Reject of $P_o > 0$ otherwise accept</i>
H_{02} : Top management expertise has no significant influence on the quality of financial reporting of deposit taking SACCOs in Kenya	<i>Reject of $P_o > 0$ otherwise accept</i>
H_{03} : Enterprise resource planning has no significant influence on the quality of financial reporting of deposit taking SACCOs in Kenya	<i>Reject of $P_o > 0$ otherwise accept</i>
H_{04} : Quality of internal audit has no significant influence on the quality of financial reporting of deposit taking SACCOs in Kenya	<i>Reject of $P_o > 0$ otherwise accept</i>

4.16 Hypotheses Testing

The first hypothesis to be tested was as shown below:

H_{01} : Staff capacity has no significant influence on the quality of financial reporting of deposit taking SACCOs in Kenya

The study found out that staff capacity had a significant influence on the quality of financial reporting of deposit taking SACCOs (p-value 0.003).

The second hypothesis to be tested was as shown below:

H_{02} : Top management expertise has no significant influence on the quality of financial reporting of deposit taking SACCOs in Kenya

The study showed that top management expertise had a significant influence on the quality of financial reporting of deposit taking SACCOs (p-value 0.020).

The third hypothesis to be tested was as shown below:

H_{03} : Enterprise resource planning has no significant influence on the quality of financial reporting of deposit taking SACCOs in Kenya

The study revealed that Enterprise resource planning had a significant influence on the quality of financial reporting of deposit taking SACCOs (p-value 0.000).

The fourth hypothesis to be tested was as shown below:

H_{04} : Quality of internal audit has no significant influence on the quality of financial reporting of deposit taking SACCOs in Kenya

It was revealed from the study that quality of internal audit had a significant influence on the quality of financial reporting of deposit taking SACCOs (p-value 0.000).

CHAPTER FIVE

SUMMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the findings, conclusions and recommendations based on the findings observed.

5.2 Summary of Findings

The main objective of the study will be to establish the factors influencing quality of financial reporting of deposit taking SACCOs in Nairobi County, Kenya. To achieve this objective, the study sought to answer four objectives which were to establish the influence of staff capacity, top management expertise, enterprise resource planning and quality of internal audit on quality of financial reporting of deposit taking SACCOs in Nairobi County, Kenya. The findings of each objective were as explained below:

5.2.1 Influence of staff capacity on quality of financial reporting of deposit taking SACCOs

The first objective of the stud was to assess the influence of staff capacity on quality of financial reporting of deposit taking SACCOs in Nairobi County, Kenya. The study found out that both formal training and on-the-job experience are important in developing evaluators, that the monitoring and evaluation officers in our SACCO are knowledgeable in the day-to-day management of monitoring and evaluation systems and that their SACCOs had skilled personnel who are accountable in their work.

However, it was not clear whether good system identifies key issues, nor does it expose the key problems that the SACCO need to address so as to boost their safety in the organization. It was also noted that M&E human capacity building did not offer wide range

of activities, for instance formal training and in-service training, mentorship. Generally, the findings revealed that staff capacity has a weak positive significant influence the quality of financial reporting,

5.2.2 Influence of top management expertise on quality of financial reporting of deposit taking SACCOs

The second objective of the study was to examine the influence of top management expertise on quality of financial reporting of deposit taking SACCOs in Nairobi County, Kenya. it was found out that top management has adequate experience relevant to the SACCOs requirements, that the top management has adequate knowledge relevant to the SACCOs requirements, that their top management has adequate skills relevant to the SACCOs requirements, and that their top management have enough expertise relevant to the SACCOs requirements. On average it was observed that managerial expertise was also put into consideration as a factor which could influence the quality of financial reporting. The research noted that top management expertise had a strong positive significant influence on the quality of financial reporting.

5.2.3 Influence of enterprise resource planning on quality of financial reporting of deposit taking SACCOs

The third objective of the study was to determine the influence of enterprise resource planning on quality of financial reporting of deposit taking SACCOs in Nairobi County, Kenya. The study found out that the ERP systems were beneficial to them for performing all the tasks assigned to them in a timely fashion, that the ERP system provided reports that exactly match their needs, that their ERP improved individual productivity, that it provided the precise information needed for their job, that their feeling toward knowledge sharing was favorable and that the system provided sufficient information. Further analysis revealed that it was not hard for the employees to learn how to use the ERP system regardless of the fact

that it is difficult for them to get promptly information that's meant for sharing. ERP was found to have a strong significant influence on the quality of financial reporting.

5.2.4 Influence of quality of internal audit on financial performance of deposit taking SACCOs

The fourth objective of the study was to establish the influence of quality of internal audit on quality of financial reporting of deposit taking SACCOs in Nairobi County, Kenya. It was noted that internal audit control plays a vital role in detecting fraud in the SACCO although it does not monitor the performance of the internal auditor's management to ensure compliance with internal audit standards, nor does it's procedures ensure that internal auditors in the SACCO demonstrate professionalism and an objective approach. Further analysis revealed that internal audit procedures planned stages do not accurately reveal the extent of compliance of internal audit process. The quality of internal audit was found to have a strong positive significant influence on quality of financial reporting.

5.3 Conclusions

Based on the above findings, the study came up with the following conclusions: First, it can be concluded that in order to have quality financial reporting, its necessary for the organization to offer both formal training and on-the-job experience since they were perceived to be important in developing employees so that they can undertake their day-to-day activities in an efficient manner. It can also be concluded that staff capacity has a weak positive significant influence on quality of financial reporting.

Secondly, it can also be concluded that top management has adequate experience, skills and knowledge that they in order to undertake their work efficiently and effectively. This is important because unless the employee has the required skills and knowledge, it might

be hard for him or her to meet the job's requirements and this might lead to low production or low quality products. It is concluded that top management expertise had a strong positive insignificant influence on the quality of financial reporting.

Thirdly, it can be noted that ERP systems has played a vital role in fast tracking the various tasks which need to be done in the organization besides it improving individual productivity. It has also helped to provide the precise information needed for their job, that their feeling toward knowledge sharing was favorable and that the system provided sufficient information. ERP had a strong significant influence on the quality of financial reporting.

Fourthly, it can be concluded that internal audit control helps in detecting fraud although it does not monitor the performance of the internal auditor's management to ensure compliance with internal audit standards. IA has also be faulted for not accurately revealing the extent of compliance of internal audit process. It was also concluded that quality of internal audit had a strong positive significant influence on quality of financial reporting.

5.4 Recommendations

Based on the above conclusions, it is recommended that SACCOs should uphold the use of staff capacity building since it was felt that it is currently in use among the DTS and that its influential in improving the quality of financial reporting. It should also concentrate more on ERP system and quality of internal audit since they were found to have a strong positive significant influence on quality of financial reporting. It is also recommended that SACCOs should ensure that the conduct knowledge sharing conveniently through ERP system since it was observed that respondents were not convinced with the extent to which knowledge was shared within the organizations. They management should also ensure the approaches to sharing knowledge are made flexible in time and place since it was felt that there was inflexibility in sharing knowledge within the organizations. Further, the SACCOs

should ensure that they the internal audit control designs an internal audit manual that guides audit operations, that there are internal audit procedures in place to assist in reporting to management on the extent of the application of accounting principles and international and that internal audit procedures monitor the performance of the internal auditor's management to ensure compliance with internal audit standards.

5.5 Recommendations for Further Research

This study was based on the deposit taking SACCOs within Nairobi. A study therefore needs to be done on the factors influencing quality of financial reporting among the other SACCOs. Also, a similar study needs to be done in other counties so as to establish whether similar findings are replicated.

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APPENDICES

Appendix One: Questionnaire

FACTORS INFLUENCING QUALITY OF FINANCIAL REPORTING OF DEPOSIT

TAKING SACCOs IN KENYA

Thank you for accepting to participate in this research. Kindly respond to these questions as truthfully as you can. The information will not be used for any purpose other than this research.

Section A: General information

1. Please identify your gender

Male ()

Female ()

2. Please identify your age bracket

Below 25 years ()

25-35 years ()

36-45 years ()

Over 45 years ()

3. Kindly identify your age highest level of education

Secondary level ()

Diploma ()

University /First Degree level ()

Masters Level ()

PHD/ Doctorate level. ()

Section B: Staff Capacity

4. By placing a tick in the appropriate box, please indicate the extent to which you agree with the following statements about staff capacity, where; 5=Strongly agree, 4=Agree, 3=Not sure, 2=Disagree, 1=Strongly disagree

	Strongly Agree 5	Agree 4	Not Sure 3	Disagree 2	Strongly Disagree 1
Our SACCO has skilled personnel who are accountable in their work					
The monitoring and evaluation officers in our SACCO are knowledgeable in the day-to-day management of monitoring and evaluation systems					
Good system identifies key issues as well as root of problems that the SACCO wants to address which improves the safety in the organization					
Good staff training on M&E improves the financial performance of the SACCO by providing quality working conditions in the organization					
M&E human capacity building in this SACCO has a wide range of activities, including formal training, in-service training, mentorship, coaching and internships.					
Both formal training and on-the-job experience are important in developing evaluators					

Section C: Top Management Expertise

5. By placing a tick in the appropriate box, please indicate the extent to which you agree with the following statements about top management expertise, where; 5=Strongly agree, 4=Agree, 3=Not sure, 2=Disagree, 1=Strongly disagree

	Strongly Agree 5	Agree 4	Not Sure 3	Disagree 2	Strongly Disagree 1
Our top management has adequate knowledge relevant to the SACCOs requirements					
Our top management has adequate skills relevant to the SACCOs requirements					
Our top management have enough expertise relevant to the SACCOs requirements					
Our top management has adequate experience relevant to the SACCOs requirements					

Section D: Enterprise Resource Planning

6. By placing a tick in the appropriate box, please indicate the extent to which you agree with the following statements about enterprise resource planning, where; 5=Strongly agree, 4=Agree, 3=Not sure, 2=Disagree, 1=Strongly disagree

	Strongly Agree 5	Agree 4	Not Sure 3	Disagree 2	Strongly Disagree 1
Our approaches to sharing knowledge are very flexible in time and place					
My feeling toward knowledge sharing is favorable					
Overall, we can conduct knowledge sharing conveniently					
The ERP system provides the precise information needed for my job					
The ERP system provides sufficient information					
The ERP system provides reports that exactly match my needs					
It takes too long to learn how to use the ERP system					
Our ERP improves individual productivity					
Our ERP system is beneficial for me for performing all the tasks assigned to me in a timely fashion					

Section E: Quality of Internal Audit

7. By placing a tick in the appropriate box, please indicate the extent to which you agree with the following statements about quality of internal audit, where; 5=Strongly agree, 4=Agree, 3=Not sure, 2=Disagree, 1=Strongly disagree

	Strongly Agree 5	Agree 4	Not Sure 3	Disagree 2	Strongly Disagree 1
Internal audit control has designed an internal audit manual that guides audit operations such as planning, monitoring and evaluation					
The internal audit control plays a vital role in detecting fraud in the SACCOs					
The internal audit procedures report to management on the extent of the application of accounting principles and international.					
Internal audit procedures planned stages accurately reveal the extent of compliance of internal audit process					
The internal audit procedures ensure that internal auditors in the bank demonstrate professionalism and an objective approach.					
Internal audit procedures monitor the performance of the internal auditor's management to ensure compliance with internal audit standards.					