

Audit committee chair expertise and firm performance: A case study of listed financial firms in Kenya

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Abstract

This study examines the influence of Audit Committee (AC) chair expertise on financial performance, as measured by the return on assets (ROA) of listed financial firms on the Nairobi Securities Exchange (NSE) in Kenya. It specifically focuses on three explanatory variables of AC chair expertise: monitoring expertise, accounting and financial expertise, and experiential expertise. Despite the important governance role played by audit committees, there is limited empirical evidence exploring how the specific expertise of audit committee chairs affects firm performance. The present study seeks to fill the gap by assessing the relationship between AC chair expertise and financial performance. Agency and Human Capital theories were used as the theoretical foundation. A quantitative approach was used to collect secondary data from the annual reports and audited financial statements of 18 listed financial firms at NSE from 2016 to 2022, resulting in a balanced panel of 126 data points. Fixed-effects panel regression model was used to test the hypotheses. The results revealed that AC's experiential expertise significantly influenced the firm's financial performance. The study concludes that AC's experiential expertise is the key determinant of financial performance among listed financial firms in Kenya. Furthermore, the study recommends that listed financial firms in Kenya should prioritize the appointment of AC chairs in the audit committees with substantial experience, particularly those with over three years of relevant experience.

Keywords: *Audit committee chair expertise, financial performance, listed financial firms, Kenya.*

1.0 INTRODUCTION

Board committees play a pivotal role in safeguarding shareholders' interests and maximising their wealth. (Chaudhry et al., 2020). Among oversight committees, the audit committee (AC) has been widely recognised by scholars as a tool for achieving strong corporate governance and firm performance. (Al-Absy et al.,

2019; Al-Jalahma, 2022; Bawuah, 2024; Chaudhry et al., 2020). The audit committee is one of the most extensively researched committees on boards of directors. (Al-Jalahma, 2022; Puni et al., 2020). The special attention paid to AC is based on two important reasons. First, the AC is an important committee that ensures that corporate governance practices adhere to predefined standards. Second, various corporate governance scandals witnessed in the past two decades, including Enron in 2001, WorldCom in 2002, Satyam in 2009, and Toshiba in 2015, have put more pressure on the AC to act proactively as an oversight tool in regulating the actions and behaviour of the management. (Singhania and Panda, 2024).

Additionally, agency theory contends that the separation of ownership and management results in heightening the information asymmetry between the principal and agent, as the latter party might exploit this disparity to advance their self-interest when running the firm. In this regard, AC is highly needed to counteract management's actions to maximise shareholder wealth. (Bawuah, 2024; Elghuweel et al., 2017; Jensen and Meckling, 1976). The AC chair is the team leader of the audit committee by managing the interactions with internal and external auditors, the board, and the Chief Financial Officer (CFO) of the firm. The effectiveness of the financial reporting mechanism and the quality of the financial reports released by the firm are highly dependent on the AC Chair. Thus, the AC chair is required to possess the necessary skills and knowledge to fully understand the committee's operations and ensure adherence to high standards of financial reporting, resulting in improved financial performance. (Al-Absy et al., 2019; Alodat et al., 2023; Chaudhry et al., 2020)

Empirical studies have focused on how the audit committee members affect a firm's financial performance. For example, Umar et al. (2024) examined the audit committee characteristics and bank financial performance across 12 African countries. Similar cases were reported in Kenya and Tanzania. (Maina and Oluoch, 2018; Mnzava, 2023). Other countries, such as India and Nigeria, assessed the connection between audit committee attributes and firm performance. (Abu, 2024; Singhania and Panda, 2024). Furthermore, empirical studies in developed economies have examined the impact of audit committee chair expertise on firm performance. (Alodat et al., 2023; Chaudhry et al., 2020). Despite the important role played by audit committees, there is limited empirical evidence in Kenya addressing how the AC chair's expertise affects firm performance. Thus, this study seeks to fill this gap by providing insights into the relationship between AC chair expertise and the financial performance of 18 listed financial firms in Kenya from 2016 to 2023.

This present study aims to address three (3) research questions (RQ)

RQ1. How does AC chair monitoring expertise affect a firm's performance?

RQ2. What is the effect of AC chair accounting expertise on firm performance?

RQ3. How does an AC chair's experiential expertise affect firm performance?

The specific objectives (SO) of this study were threefold.

SO1. To evaluate the effect of the AC chair's monitoring expertise on firm performance.

SO2. To assess the impact of the C chair's accounting and finance expertise on firm performance.

S03. To analyze the influence of the AC chair's experiential expertise on firm performance

This study makes a threefold contribution to corporate governance literature. First, it addresses the lack of empirical research in Kenya concerning audit committee chair expertise and the performance of listed financial firms. Thus, this study expands the current body of knowledge. Second, this study employs a multi-theoretical approach utilising agency theory (AT) and Human Capital Theory (HCT). Multi-theoretical approach provides complementary insights to the theories used. Third, this study offers new insights that can inform and guide future studies in this area.

2.0 LITERATURE REVIEW

2.1 Theoretical literature review

Agency Theory (AT)

Agency theory (AT), founded by (Jensen and Meckling (1976), guided this study. This theory argues that competent and skilled AC members tend to play a vital role in ensuring that shareholder wealth is maximised. This implies that the AC chair and other AC members who are qualified, knowledgeable, skilled, and experienced have a better chance of effectively monitoring the actions and behaviour of the management, leading to the maximisation of shareholder wealth. Furthermore, the AC chair and other committee members play a key role in reducing agency costs and ensuring favourable financial performance. (Borlea et al., 2017; Chaudhry et al., 2020). Additionally, a study conducted in Saudi Arabia revealed that a competent and strong audit committee has the potential to minimize the agency problems between the management and the shareholders, resulting in a positive influence on a firm's financial performance (Al-Matari et al., 2012).

Human Capital Theory (HCT)

Becker (1964) derived the Human Capital Theory 60 years ago. This theory suggests that an individual's experience, capabilities, knowledge, education,

expertise, and skills play a significant role in improving organizational performance. Based on this theory, the present study identified three different types of the AC chair: AC chair monitoring expertise, AC chair accounting expertise, and AC chair experiential expertise. Thus, the present study argues that the expertise of the AC chair will have a significant impact on the way the AC chair discharges his or her duty, leading to an improved financial performance of the firm, as supported by (Alodat et al., 2023; Chaudhry et al., 2020).

2.2 Empirical literature review

2.2.1 AC Chair Monitoring Expertise

An AC chair can effectively exercise monitoring functions if he/she hold a chair position across multiple committees over time. (Alodat et al., 2023; Chaudhry et al., 2020). This monitoring expertise helps the AC chair oversee the committee's activities and meetings, address agency problems, and reduce a firm's agency costs. Moreover, AC chair-monitoring expertise can enhance reporting functions by shortening audit report lag time. (Alodat et al., 2023; Ghafran and Yasmin, 2018). Human capital theorists emphasise that an individual's skills and capabilities are crucial for improving firm performance. Additionally, agency theory suggests that a skilled AC chair is better equipped to guide committee members to minimise agency costs, thereby maximising shareholder wealth. (Becker, 1964; Jensen and Meckling, 1976). Empirical studies have previously demonstrated a positive and significant link between AC chair-monitoring expertise and firm performance. (Alodat et al., 2023; Chaudhry et al., 2020). In contrast, a Malaysian study examined the impact of the busyness of the Audit Committee (AC) chair (chairing multiple audit committees) on the financial performance of 28 listed financial firms from 2015 to 2019. The study found no significant influence between the AC chair's busyness and the firms' financial performance. It is a common practice for key members of audit committees, particularly the chair, to chair multiple committees in large companies. However, this practice can have negative consequences for the firm, as it often prevents audit committee chairs from effectively carrying out their monitoring responsibilities (Al-Matari, 2022). Based on the empirical literature review conducted, we hypothesize the following.

H1: AC chair monitoring expertise and firm performance have a positive relationship

2.2.2 AC Chair Accounting and Financial Expertise

The AC chair's accounting and financial expertise enables him to ensure adherence to accurate financial reporting, compliance with financial reporting standards, and rigorous AC audits. This capability can lead to improved firm performance. (Alodat et al., 2023). AC Chair accounting expertise and

experience are sourced from academic qualifications, managerial experience, and professionalism. (Alodat, et al., 2022; Alodat et al., 2023). Proponents of agency theory argue that the accounting/financial expertise of the AC chair helps to mitigate the agency conflicts between preparers of the financial statements (accountants) and the external shareholders by ensuring financial reporting quality is adhered to. Thus, the audit committee under the leadership of the AC chair is regarded as the checking device in ensuring that quality financial reports are prepared (Gupta & Mahakud, 2021). Additionally, the accounting/financial expertise of the AC chair empowers him to ensure financial reporting standards, proper audits, and improvement in the financial reporting process, ultimately enhancing the financial performance of the firm. (Chiru and Gherghina, 2019). In contrast, Velten (2017) pointed out that technical expertise (accounting/financial expertise) alone may not guarantee better financial outcomes without the right governance structures. Another study revealed that the technical expertise of the directors was not significantly associated with improved governance or financial performance (Al-Bassam et al., 2018).

Previous studies have revealed a significant and positive relationship between the AC chairman's accounting and financial expertise and financial performance. (Alodat et al., 2023; Chaudhry et al., 2020; Gupta and Mahakud, 2021). This implies that the AC chairman with an accounting and finance background can better control management actions, resulting in improved financial performance. Based on the empirical literature review conducted, we hypothesize the following.

H2: AC chair with accounting/financial expertise and firm performance have a positive relationship

2.2.3 AC Chair Experiential Expertise

The experiential expertise of an audit committee (AC) chair can be viewed from two perspectives: Firstly, chairs with shorter tenures (less experience) may not be as effective in monitoring managers, particularly in firms where CEOs exert significant power. (Vafeas, 2003). Second, a long-serving AC chair is often more experienced and knowledgeable about business operations, which can enhance their effectiveness in overseeing and regulating management decisions and behaviour. (Vafeas, 2005). Previous empirical studies attest that AC chairs must have experiential expertise in terms of the period in which they have served as the chair of the AC. This attribute ensures the correctness of preparing the financial reports, resulting in improved performance of the firm. (Alodat et al., 2023; Chaudhry et al., 2020; Ghafran and Yasmin, 2018).

Experiential expertise of the AC chair makes it easier for him to acquire firm-specific knowledge and experience that is highly needed in improving the firm’s financial performance (Ghafran and O’Sullivan, 2013). Furthermore, a longer tenure for the audit committee chair allows them to become more proficient in their roles. This increased familiarity reduces uncertainty, and as a result, tends to improve firm performance over time. (Alodat et al., 2023). By contrast, it is argued that the independence of a long-serving AC chair might be compromised, potentially affecting their ability to act in the firm’s best interests. (Al-Absy et al., 2019; Vafeas, 2003). Previous empirical studies have revealed that AC chair experiential expertise has a positive and significant influence on firm performance. (Alodat et al., 2023; Chaudhry et al., 2020; Ghafran and Yasmin, 2018). These results are supported by human capital and agency theories. Based on the empirical literature review conducted, we hypothesize the following.

H3: AC chair’s experiential expertise and firm performance have a positive relationship

2.3 Conceptual framework

The conceptual framework guiding this study is shown in Figure 1, which shows the relationship between the variables (response, explanatory, and control) used in this study.

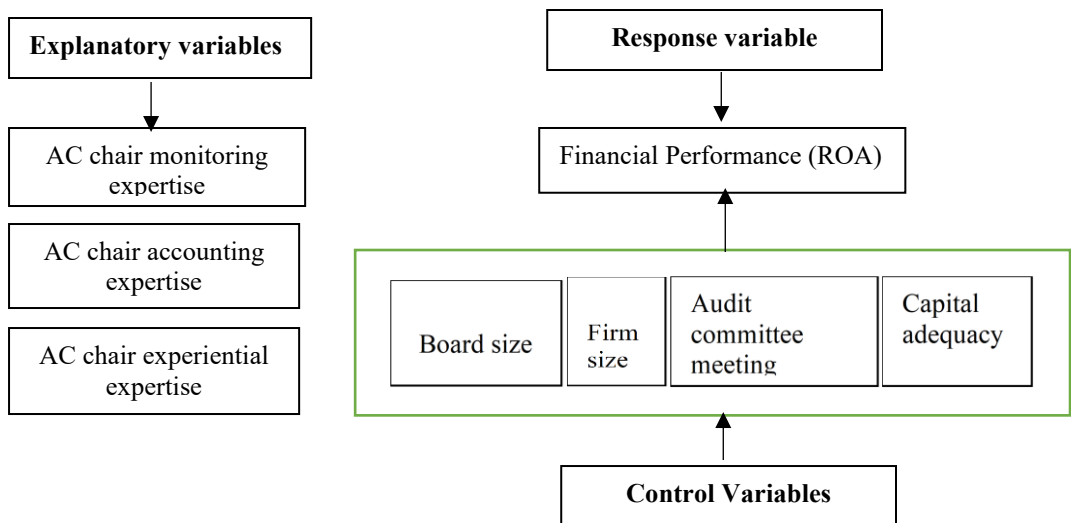


Figure 1: Conceptual framework

3.0 RESEARCH METHODOLOGY

3.1 Study area and population of the study.

The present study examines the impact of AC chair expertise on firms' performance as measured by ROA from 2016 to 2022. The study targets listed

financial firms at the Nairobi Securities Exchange (NSE) in Nairobi, Kenya as the study population. NSE was purposively selected as it is the largest and oldest stock market in East Africa, with a market capitalization of approximately \$20 billion as of April 2025 (Ebatamehi, 2025). The population of listed financial firms at NSE was 24.

3.2 Research approach and design

A quantitative approach was used to collect secondary data from the annual reports and audited financial statements of listed financial firms in the NSE. Content analysis was used to systematically collect the secondary data. Content analysis involves examining and analysing the content of annual reports by extracting relevant information needed in the study. This method allows for a systematic analysis of data freely for investors at the NSE, as argued by Alodat et al. (2023). A similar approach was used by other empirical studies (Alodat et al., 2023; Magoma et al., 2024; Temba et al., 2023). Additionally, an explanatory research design was used to establish the cause-and-effect relationship between variables. Previous empirical studies used the same research design.

3.3 Sample and sampling techniques

The population of listed financial firms was 24, and six (6) firms had incomplete data. Thus, the total sample used in this study was 18 listed financial firms for seven years, that is, from 2016 to 2022, yielding a balanced panel dataset of 126 data points with slightly higher observations compared to other corporate governance studies, such as (Assenga et al. (2018) with 80 data points (Magoma et al., 2024) with 91 data points, and (Magoma et al. (2024) with 84 data points. Tables 1 and 2 present the sample selection steps and the lists of financial firms, respectively.

Table 1: Sample selection steps

Description	Number of Listed Firms
Total number of listed financial firms on the NSE	24
Listed financial firms with incomplete data	(6)
Final Sample	18
Number of years (2016-2022)	7
Firm-year observations	126

Table 2: List of sampled financial firms from Kenya

S/NO	Name of the firms	Category
1	ABSA Bank Plc	Bank
2	Diamond Trust Bank Plc	Bank
3	Equity Trust Bank	Bank
4	HFCK Bank Plc	Bank
5	I & M Bank Plc	Bank
6	Kenya Commercial Bank Plc	Bank
7	NCBA Bank Plc	Bank
8	Stanbic Bank Kenya Plc	Bank
9	Standard Chartered Bank Kenya Plc	Bank
10	COOP Bank Plc	Bank
11	Britam Plc	Insurance
12	KE Insurance Plc	Insurance
13	Liberty Insurance Plc	Insurance
14	CIC Insurance Group Limited	Insurance
15	Centum Plc	Insurance
16	Jubilee Insurance Plc	Insurance
17	Sanlam Plc	Insurance
18	Nairobi Securities Exchange Plc	Investment

3.4 Data collection and sources

Secondary data was retrieved manually from the annual reports and audited financial statements of 18 listed financial firms at the NSE from 2016-2022, yielding a balanced panel data of 126 data points. Data were sourced from the annual reports and audited financial statements that can freely be sourced from an African financial website; the latter website provides annual reports of listed firms across ten (10) African countries. The website can be accessed via <https://africanfinancials.com/>.

3.5 Variable construction

3.5.1 Operationalization of variables used in the study

Table 3 presents the operationalization of all the variables used in this study (response, explanatory, and control variables).

Table 3: Operational definition and measurement of variables

	Code	Type of variable	Measures	References	Source
Return on Assets	ROA	Response	Net Income divided by Total assets	(Assenga et al., 2018; Magoma and Ernest, 2023; Singhania and Panda, 2024; Wang and Sun, 2022)	Financial statements
Audit Committee Chair monitoring expertise	ACCME	Explanatory	Dummy variable (1 if the AC chair is holding more than one committee; 0 otherwise)	(Alodat et al., 2023; Chaudhry et al., 2020)	Annual reports
Audit Committee Chair, Accounting expertise	ACCAE	Explanatory	Dummy variable (1 if the AC Chair has experience in accounting, auditing, or finance; 0 otherwise)	(Alodat et al., 2023; Chaudhry et al., 2020)	Annual reports
Audit committee chair's experiential expertise	ACCEE	Explanatory	Dummy variable (1 if the AC chair has experience of more than 3 years; 0 otherwise)	(Chaudhry et al., 2020)	Annual reports
Firm size	Fsize	Control	Natural logarithm of Total assets	(Abu, 2024; Magoma et al., 2024; Magoma et al., 2022; Temba et al., 2023)	Financial statements
Board size	Bsize	Control	Number of directors on the board	(Magoma and Ernest, 2023; Singhania and Panda, 2024; Temba et al., 2023)	Annual reports
Audit committee meeting	ACM	Control	Number of audit committee meetings in a year	(Abu, 2024; Islam and Hashim, 2023; Magoma et al., 2024; Wang and Sun, 2022)	Annual reports
Capital Adequacy	CA	Control	Total Equity divided by Total Assets	(Magoma et al., 2022; Temba et al., 2023)	Financial statements

	Code	Type of variable	Measures	References	Source
Coefficients of the determinants	$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \beta_7$				

3.6 Data analysis and specification of the model

The study utilized a panel regression model due to the ability of the model to control unobserved firm-specific effects and to capture both time series and cross-sectional variations (Baltagi, 2008). The Hausman's test was conducted, and a fixed-effect model was appropriate to guide the study as presented in Table 6. Finally, correlation analysis was used to test the existence of multicollinearity between variables.

A balanced panel regression model of 126 firm-year observations was used to examine the relationship between AC chair expertise and listed financial firms' performance at the NSE. The model used by this study is stated as follows:

$$ROA_{it} = \beta_0 + \beta_1 ACCME_{it} + \beta_2 ACCAE_{it} + \beta_3 ACCEE_{it} + \beta_4 ACM_{it} + \beta_5 Fsize_{it} + \beta_6 Bsize_{it} + \beta_7 CA_{it} + \hat{\epsilon}_{it}$$

4.0 RESULTS AND DISCUSSION

4.1 Descriptive statistics

Table 4 presents descriptive statistics of the variables used in this study. The descriptive statistics show the minimum and maximum values, mean, standard deviation, variance inflation factor, and tolerance. The variables used in this study are financial performance (ROA), AC chair monitoring expertise (ACCME), AC chair accounting expertise (ACCAE), AC chair experiential expertise (ACCEE), capital adequacy (CA), audit committee meetings (ACM), board size (Bsize), and firm size (Fsize).

Table 4: Descriptive Statistics

	Obs	Min	Max	Mean	Std
ROA	126.00	-3.00	17.00	2.95	3.01
ACCME	126.00	0.00	1.00	.22	.42
ACCAE	126.00	0.00	1.00	.72	.45
ACCEE	126.00	0.00	1.00	.61	.49
CA	126.00	0.00	93.00	21.28	15.40
ACM	126.00	0.00	8.00	4.43	1.22
Bsize	126.00	7.00	26.00	11.36	3.68
Fsize	126.00	11.00	19.00	14.93	2.52

Key: Audit committee chair monitoring expertise (ACCME), Audit committee chair accounting expertise (ACCAE), Audit committee chair experiential expertise (ACCEE), board size (BSIZE), audit committee meeting (ACM), capital adequacy (ACM), firm size (Fsize)

Source: Author's computation from E-views, 2025

4.2 Correlation Matrix and Multicollinearity

A correlation analysis was performed to check for variable correlations (see Table 5). Correlation analysis shows how variables change with changes in another variable (Temba et al., 2023). Thus, the magnitude and nature of the direction and relationship between variables are best explained by the correlation analysis (Peter et al., 2023). Furthermore, Table 5 shows that financial performance measured by ROA has a positive relationship with AC chair experiential expertise, capital adequacy, board size, firm size, and audit committee meetings. AC chair monitoring and AC chair accounting expertise have a negative relationship with ROA. Likewise, the coefficient of correlation of all explanatory variables was less than 80%, suggesting that multicollinearity was absent. This approach has also been applied in other empirical studies (Magoma et al., 2024; Mwakyeja and Kimario, 2024).

The variance inflation factor (VIF) of all explanatory variables was within the acceptable range below 10, suggesting that the multicollinearity problem was absent. A similar approach was used in other empirical studies such as (Al-Absy, 2020; Kimario and Kira, 2023; Kimario and Mwagike, 2023; Magoma et al., 2024; Mwakyeja and Kimario, 2024)

Table 5: Correlation Matrix and Multicollinearity Phenomenon

	VIF	ROA	ACCME	ACCAE	ACCT	CA	ACM	Bsize	Fsize
ROA		1							
ACCME	1.362	-0.017	1						
		0.85							
ACCAE	1.683	-.193*	-.223*	1					
		0.03	0.012						
ACCEE	1.159	0.047	0.035	0.014	1				
		0.6	0.699	0.875					
CA	1.339	.298**	.426**	-.299**	0.064	1			
		0.001	0	0.001	0.474				
ACM	1.118	0.132	0.047	0.044	-.201*	0.043	1		
		0.141	0.601	0.627	0.024	0.63			
Bsize	1.773	-0.02	-.276**	-.225**	-.246**	-.175*	-0.112	1	
		0.823	0.002	0.001	0.005	0.05	0.21		
Fsize	1.509	0.077	.274**	-.342**	0.023	.176*	-0.112	-.306**	1
		0.394	0.002	0	0.801	0.048	0.212	0.001	

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

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

4.3 Panel Regression Results

Table 6 presents the results of the panel regression. Hausman test was conducted, and the results revealed that the fixed-effect model is suitable. The table shows that the R-square is approximately 72%, and the adjusted R-square is 65%, suggesting that 65% of the variation in ROA is explained by the explanatory variables (ACCME, ACCAE, and ACCEE). The F-statistic value was 10.713 with a probability of less than 5%, suggesting that the model was statistically significant. The Durbin-Watson test for autocorrelation was 1.841, suggesting that autocorrelation was absent from the data since the Durbin-Watson value was within the range of 1.5-2.5 as indicated by other empirical studies such as (Magoma and Ernest (2023) and Magoma et al. (2024). Furthermore, Table 6 reveals that AC chair monitoring expertise (ACCME) positively and insignificantly affects firm performance. By contrast, AC chair's accounting expertise negatively and insignificantly influences firm performance. The AC chair's experiential expertise has a positive and significant influence on firm performance, as measured by ROA.

Table 6: Fixed Effect regression results

Variable	Coefficient	Std. Error	t-stat	Prob
ACCME	0.0004	0.01289	0.038	0.9692
ACCAE	-0.0167	0.0249	-.0668	0.5054
ACCEE	0.0282	0.0093	3.012	0.0033
Bsize	0.564	0.068	0.8626	0.3904
ACM	0.002	0.1170	4.822	0.0000
CA	0.030	0.028	0.8155	0.4167
Fsize	0.030	0.088	0.342	0.7328
Diagnostic test				
R ²	71.80%			
Adjusted R ²	65.10%			
S.E. regression	2.3298			
Mean dependent var	6.9115			
F-statistics	10.713			
Prob (F-statistics)	0.00000			
Durbin-Watson stat	1.841			
Hausman Test (Chi-sq statistic, Prob)	(110.005, 0.0000)	Fixed effect model		
Observations	126	126	126	126

Key: Audit committee chair monitoring expertise (ACCME), Audit committee chair accounting expertise (ACCAE), Audit committee chair experiential expertise (ACCEE), board size (BSIZE), audit committee meeting (ACM), capital adequacy (ACM), firm size (Fsize)

Source: Author's computation from E-views, 2025

Table 7: Presents the results of the hypotheses used in this study

S/NO	Hypothesis	Statement	Prob	Accept/reject
1	H ₁	AC chair monitoring expertise and firm performance have a positive relationship	0.9652	Reject
3	H ₂	AC chair with accounting/financial expertise and firm performance have a positive relationship	0.5054	Reject
5	H ₃	AC chair's experiential expertise and firm performance have a positive relationship	0.0033	Accept

4.4 AC chair monitoring expertise

AC chair monitoring expertise has a positive but insignificant impact on firm performance, as measured by ROA. Therefore, H1 was rejected. These results are inconsistent with those of other empirical studies (Alodat et al., 2023; Chaudhry et al., 2020) and supported by a study conducted in Malaysia (Al-Matari, 2022). The latter study argued that the busyness of the AC chair (chairing multiple committees) may not enhance a firm's performance. Al-Matari (2022) pointed out that it is a common practice for key members of audit committees, particularly the chair, to chair multiple committees in large companies. However, this practice can have negative consequences for the firm, as it often prevents audit committee chairs from effectively carrying out their monitoring responsibilities. Furthermore, the results are contrary to the predictions of agency and human capital theories that argue in favour of AC chair monitoring expertise and a firm's positive financial outcomes. The results imply that when the AC chair holds multiple committees, their influence on the firm's financial outcome is insignificant.

4.5 AC chair accounting expertise

The AC Chair's accounting expertise has a negative and insignificant impact on firm performance. Thus, H2 is rejected. These results are inconsistent with those of previous empirical studies. (Alodat et al., 2023; Chaudhry et al., 2020; Gupta and Mahakud, 2021). In contrast, a study conducted in Saudi Arabia revealed that the technical expertise of the directors was not significantly associated with improved governance or financial performance (Al-Bassam et al., 2018). According to Velten (2017), he argued that technical expertise (accounting/financial expertise) alone may not guarantee better financial outcomes without the right governance structures. Another study revealed that the technical expertise of the directors was not significantly associated with improved governance or financial performance (Al-Bassam et al., 2018). Thus, when appointing the AC chair, technical expertise alone is not enough; other critical qualities, such as leadership, strategic thinking, or independence, are equally important for better financial outcomes. These results are contrary to

agency and human capital theorists, who argued that accounting and finance skills are crucial for AC chairs to impact the financial performance of firms.

4.6 AC chair, experiential expertise, and firm performance

AC chair's experiential expertise has a positive and significant impact on firm performance, as measured by ROA. Thus, H3 is supported. These results are supported by (Alodat et al. (2023), Chaudhry et al. (2020), and Ghafran and Yasmin (2018). Vafeas (2005) argues that a long-serving AC Chair is more experienced and knowledgeable about the various operations of the firm. This places the AC chair in a good position to monitor and control management actions that might affect the financial performance of firms. Additionally, the experiential expertise of the AC chair makes it easier for him to acquire firm-specific knowledge that is highly needed in improving the firm's financial performance (Ghafran and O'Sullivan, 2013). Thus, longer-serving AC chairs are more proficient in their roles than their counterparts, leading to an increased familiarity in discharging their duties, resulting in improved financial performance (Alodat et al., 2023). These results are supported by both agency and human capital theories.

5.0 CONCLUSION AND RECOMMENDATION

5.1 conclusion

This study examined the impact of AC chair expertise on firm performance as measured by the ROA of 18 listed financial firms in Kenya from 2016 to 2022. The results reveal that the AC chair's experiential expertise has a significantly positive influence on firm performance. In contrast, AC Chair accounting expertise has a negative and insignificant effect, while AC Chair monitoring expertise exerts a positive and insignificant impact on firm performance. For AC Chair experiential expertise, the results imply that increasing the number of AC chairs with over three years of experience in audit committees can better control management actions, resulting in improved financial performance of listed financial firms in Kenya.

Based on the conclusion, the study recommendations are in three folds. First, listed financial firms in Kenya should prioritize the appointment of Audit Committee chairs with substantial experiential expertise, particularly those with over three years of relevant experience, as this has shown a positive impact on firm performance as measured by ROA. To institutionalize this, corporate governance guidelines should be revised to mandate a minimum threshold of experiential expertise for AC chair appointments, emphasizing proven practical knowledge rather than academic or professional certifications. Second, given the negative and insignificant influence of the accounting/financial expertise of the

AC chair, listed firms should reconsider overemphasizing traditional accounting/financial qualifications when appointing the AC chair. A blend of accounting/financial expertise and strategic and industry-specific experience may yield better results. Finally, listed firms should consider integrating monitoring expertise with experiential knowledge to enhance effectiveness. Tools such as the performance dashboard, KOI tracking can highly support a more impactful monitoring role of the AC chair.

5.2 study limitation and areas for future studies

The present study focuses on 18 listed financial firms in Kenya from 2016 to 2022. However, future research should examine the influence of audit committee chair expertise and nomination committee chair expertise on other stock markets across the African continent. Additionally, future studies can embrace different analysis methods such as the Generalised Methods of Moments (GMM) and Feasible Generalised Least Squares (FGLS) methods by including other expertise variables such as gender, ethnicity, the effectiveness of committee chairs, and nationality.

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