Ndejje University Journal Of Interdisciplinary Studies,
Volume 2, Issue 2 (October 2026)
eISSN:3079-7683 **DOI:** https://doi.org/10.64080/ndujis.2026.Cof.Pro.Oct002

Audit committee attributes and loan portfolio performance of SACCOS In Bushenyi District

[1]Naome Kakundwa, Faculty of Business and Management, Ndejje University, knaome@ndejjeuniversity.ac.ug, ORCID: 0000-0002-1077-1760
[2]Henry Buwule Musoke, Faculty of Business and Management, Ndejje University, Uganda, hbuwule@ndejjeuniversity.ac.ug, ORCID: 0000-0003-4677-3474
[3]Simon Lule, Faculty of Business and Management, Ndejje University, Uganda, Email: lulesimon2013@gmail.com, ORCID: 0000-0001-9000-6710

Abstract

This study examined the influence of audit committee attributes on loan portfolio performance in SACCOs in Bushenyi District, Uganda. Specifically, the study focused on audit committee independence, financial expertise on the audit committee, and frequency of audit committee meetings. Guided by Agency Theory and Stakeholder Theory, the study adopted a cross-sectional quantitative research design. Data was collected from 284 respondents drawn from 36 registered SACCOs, including audit committee members, managers, accountants, internal auditors, and credit officers. Organizational-level aggregation was applied where individual responses were averaged to obtain SACCO-level scores. Data was analyzed using descriptive statistics, Pearson correlation, and multiple regression analysis. The findings revealed that audit committee independence had a strong positive and significant relationship with loan repayment rate and negative significant relationships with portfolio at risk and non-performing loan ratio. Financial expertise on the audit committee recorded the strongest positive relationship with loan repayment rate, and strong negative relationships with portfolio at risk and non-performing loan ratio. Similarly, frequency of audit committee meetings had a positive relationship with loan repayment rate, and negative relationships with portfolio at risk and non-performing loan ratio. Regression results further established that financial expertise was the strongest predictor of loan portfolio performance. The study concludes that effective audit committee attributes significantly influence loan portfolio quality, reduce credit risk exposure, and strengthen institutional performance within SACCOs. The study recommends strengthening audit committee independence, enforce the governance provisions and increase financial expertise among AC members, institutionalizing regular meetings, by improving internal control and loan monitoring systems within SACCOs.

How to cite this article:
Kakundwa, N., Buwule, H. M,. & Lule, S. (2026). Audit committee attributes and loan portfolio performance of SACCOS In Bushenyi District. Ndejje University Journal of Interdisciplinary, Vol 2 (2), DOI: https://doi.org/10.64080/ndujis.2026.Cof.Pro.Oct002

Key Words: ***Audit Committee Attributes, Audit Committee Independence, Financial Expertise, Audit Committee Meetings, Loan Portfolio Performance, Saccos.***

Introduction and background

Savings and Credit Cooperative Organizations (SACCOs) play a significant role in promoting financial inclusion, poverty reduction, and socio-economic transformation in Uganda (Omona, 2021; Marango, 2023). SACCOs mobilize savings and provide credit facilities to low-income earners, women, youth, farmers, and small-scale entrepreneurs who are often excluded from formal banking systems. Through affordable financial services, SACCOs enhance household welfare, stimulate entrepreneurship, improve agricultural productivity, and support local economic development (Ntuite, 2020; Pasara, Makochekanwa, & Dunga, 2021).

Despite the important role played by Savings and Credit Cooperative Organizations (SACCOs) in promoting financial inclusion, poverty reduction, and socio-economic transformation in Uganda, many SACCOs continue to experience serious governance and loan management challenges that threaten their sustainability. SACCOs provide affordable financial services to low-income earners, women, youth, farmers, and small-scale entrepreneurs who are often excluded from formal banking systems (Omona, 2021). However, reports from the Uganda Microfinance Regulatory Authority and the Bank of Uganda indicate increasing cases of weak governance structures, fraud, poor internal controls, and rising non-performing loans (NPLs) within financial institutions and SACCO-related lending systems in Uganda (Bank of Uganda, 2024; Uganda Microfinance Regulatory Authority, 2024).

Available evidence shows that loan portfolio deterioration remains a significant challenge in Uganda's financial sector. A report by the Office of the Auditor General revealed that non-performing loans in government-supported (SACCOs inclusive) lending portfolio stood at 66.4% amounting to

UGX 78.2 billion by June 2024, while impaired loans had consistently remained above 50% over a four-year period. The report further indicated that increasing portfolio at risk (PAR), weak loan recovery systems, and poor credit management practices threatened financial sustainability and institutional stability (Office of the Auditor General, 2024).

Similarly, the Uganda Bankers Association reported that non-performing loans in Uganda's financial sector stood at approximately 4.7% by the end of 2024, reflecting continued credit risk challenges within lending institutions (Uganda Bankers Association, 2024). Studies have further associated weak governance systems with poor financial oversight, weak internal controls, and inadequate risk management practices with increasing loan defaults and financial instability in SACCOs and financial institutions (Sanga, Naibei, & Cheruiyot, 2017; Richard, 2024). Reports from the Uganda Microfinance Regulatory Authority (UMRA) indicate that many SACCOs in Uganda continue to experience governance weaknesses, weak loan recovery systems, fraud, and rising non-performing loans, which threaten institutional sustainability and financial inclusion objectives (UMRA, 2024). Similarly, the Uganda Microfinance Journal (2021) highlighted persistent operational and financial management challenges affecting SACCO performance in Uganda.

In addition, several SACCOs in Uganda have experienced operational instability, poor loan recovery, delayed repayments, and weakened liquidity arising from governance failures, inadequate monitoring systems, and ineffective financial oversight. Reports from the Ministry of Trade, Industry and Cooperatives have consistently highlighted challenges related to mismanagement of SACCO funds, weak accountability structures, and poor supervision of management activities (Ministry of Trade, Industry and Cooperatives, 2023). These governance weaknesses negatively affect loan portfolio performance and limit SACCOs' ability to continuously provide affordable financial services to members.

Despite the existence of governance structures within SACCOs, reports from the Uganda Microfinance Regulatory Authority continue to reveal increasing loan defaults, weak internal controls, and poor loan portfolio performance among SACCOs in Uganda (UMRA, 2024). These challenges threaten financial sustainability and limit SACCOs' ability to support socio-economic transformation. Although previous studies have linked audit committee attributes with financial performance and accountability, limited attention has been given to how specific audit committee attributes such as independence, financial expertise, and frequency of meetings influence loan portfolio performance in Uganda's SACCOs. Most previous studies focused on general financial performance indicators rather than specific loan portfolio performance measures such as portfolio at risk, non-performing loan ratios, loan repayment rates, and loan recovery performance (Muturi, 2025; Tharamba, Waweru, & Shano, 2024).

In Uganda, the operational and governance environment for tier-4 microfinance institutions has undergone significant transformation following the enactment of the Tier 4 Microfinance Institutions and Money Lenders Act, 2016. This legislation formally established the Uganda Microfinance Regulatory Authority (UMRA) as the apex regulatory body tasked with licensing, supervising, and regulating SACCOs, self-help groups, and money lenders. Under this statutory framework, SACCOs are mandated to institute robust internal control systems and prudent governance mechanisms to safeguard member savings and mitigate credit risks. Consequently, understanding the role of internal oversight structures specifically audit committees is no longer just a management preference, but a strict compliance requirement mandated by national policy to curb escalating non-performing loans (NPLs) within the cooperative sector.

Furthermore, most existing studies were conducted outside Uganda, particularly in Kenya, limiting the applicability of their findings within the Ugandan SACCO context due to differences in governance structures, regulatory frameworks, and operational environments. Consequently, there remains inadequate empirical evidence on how audit committee attributes contribute to loan portfolio performance, financial inclusion, and realization of Sustainable Development Goals in Uganda's SACCO sector. It is against this background that the study examined the influence of audit committee attributes on loan portfolio performance in SACCOs in Uganda.

Literature review

This study was guided by Agency Theory and Stakeholder Theory as follows -

Agency Theory

Agency Theory was advanced by Michael Jensen and William Meckling in 1976. The theory explains the relationship between principals (SACCO members/shareholders) and agents (management), where managers are entrusted with organizational resources on behalf of members. The theory argues that managers may pursue personal interests that conflict with the interests of SACCO members due to information asymmetry and weak monitoring systems. In SACCOs, agency problems may manifest through weak loan monitoring, poor lending practices, fraud, manipulation of financial information, and ineffective recovery of loans. Consequently, effective governance and monitoring mechanisms are required to minimize agency conflicts and improve accountability (Eisenhardt, 1989).

The theory specifically explains the relevance of audit committee independence in SACCO governance. Independent audit committee members are expected to provide objective oversight, minimize managerial interference, strengthen internal controls, and improve monitoring of financial activities. Through independence, audit committees is related to accountability and reduce opportunities for misuse of SACCO resources, thereby improving loan portfolio performance (Abbott, Parker, & Peters, 2004; Ghafran & Yasmin, 2018). Agency Theory further explains the importance of financial expertise on audit committees. Financially knowledgeable audit committee members possess accounting, auditing, and risk management skills that improve assessment of financial reports, loan portfolio risks, and internal control systems. Financial expertise therefore strengthens monitoring effectiveness, improves loan evaluation processes, and influence loan portfolios (Oussii & Boulila, 2021; El Mahdy, Hao, & Cong, 2024).

The theory also explains the significance of frequency of audit committee meetings. Frequent meetings improve continuous monitoring, timely review of financial reports, and effective supervision of management activities. Regular meetings enable audit committees to identify financial irregularities, monitor loan recovery systems, and strengthen governance oversight, which positively influences loan portfolio performance (Baatwah, Salleh, & Stewart, 2019).
Therefore, Agency Theory provides a strong foundation for explaining how audit committee independence, financial expertise, and frequency of meetings which is associated with accountability, reduce financial risks, and related to loan portfolio performance in SACCOs (Fama & Jensen, 1983).

Stakeholder Theory

Stakeholder Theory was proposed by R. Edward Freeman in 1984. The theory argues that organizations should safeguard the interests of all stakeholders, including members, employees, regulators, creditors, customers, and the wider community. The theory emphasizes that organizational performance and success depend on balancing stakeholder interests through responsible governance, accountability, and transparency (Freeman, 1984).

In the context of SACCOs, Stakeholder Theory is relevant because SACCOs are community-based financial institutions expected to promote financial inclusion, socio-economic development, and equitable access to financial services. SACCOs therefore have an obligation to manage members' savings responsibly and ensure loan management practices (Omona, 2021).

The theory explains the role of audit committee independence in protecting stakeholders' interests through objective oversight and transparent financial reporting. Independent audit committees relate to accountability, reduce fraud, and related to confidence among members and regulators (Karimi & Maina, 2025).

Stakeholder Theory further supports the importance of financial expertise on audit committees. Financially competent audit committee members are associated with quality of financial reporting, strengthen risk management systems, and ensure prudent management of loan portfolios. This influences stakeholder confidence and institutional credibility (Leng, 2023; Khudhair, Al-Zubaidi, & Raji, 2019).

The theory also explains the relevance of regular audit committee meetings in strengthening governance effectiveness. Frequent meetings influence monitoring of management activities, facilitate timely decision-making, and accountability mechanisms. Effective monitoring improves loan portfolio performance and protects stakeholders from financial losses associated with poor lending practices and loan defaults (Tharamba, Waweru, & Shano, 2024).

Consequently, Stakeholder Theory explains that effective audit committee governance strengthens accountability, influence transparency, loan portfolio performance, and promotes financial inclusion and institutional sustainability within SACCOs (Solomon, 2020; Tricker, 2015).

Empirical Literature Review

Existing empirical literature generally associates audit committee attributes with governance effectiveness, accountability, and organizational performance within SACCOs and financial institutions. Several studies established that audit committee independence, financial expertise, and frequency of meetings strengthen internal controls, improve financial reporting quality, and enhance institutional sustainability. For instance, Tharamba, Waweru, and Shano (2024) found that frequent audit committee meetings and transparent audit committee attributes influence SACCO financial performance in Kenya. Similarly, Muturi (2025) established that audit committee expertise and independence positively influenced SACCO performance, while Oussii and Boulila (2021) argued that financial expertise strengthens internal audit effectiveness and organizational risk management systems.

Despite this convergence in literature, unresolved debate still exists regarding whether audit committee attributes influence loan portfolio performance in SACCOs. Whereas several studies strongly associate independent and financially competent audit committees with improved financial sustainability, other scholars argue that governance structures may not automatically guarantee improved organizational performance without effective enforcement mechanisms, management integrity, ICT systems, and strong internal control environments. Reports from the Uganda Microfinance Regulatory Authority and the Office of the Auditor General continue to reveal increasing non-performing loans, weak loan recovery systems, fraud, and governance weaknesses among SACCOs despite the existence of formal governance structures. This contradiction creates an unresolved empirical debate regarding the actual effectiveness of audit committee governance in improving loan portfolio performance within SACCOs.

Conceptually, previous studies reveal inconsistencies in measurement of organizational performance. Most studies concentrated on general financial performance indicators such as profitability, return on assets, return on equity, accountability, and operational efficiency while paying limited attention to loan portfolio performance indicators such as loan repayment rates, portfolio at risk, and non-performing loan ratios, which are critical within SACCO operations. Consequently, previous studies inadequately explain how audit committee attributes specifically influence loan portfolio quality and credit risk management within SACCOs.

Contextually, most reviewed studies were conducted outside Uganda, particularly in Kenya, within different regulatory, governance, and operational environments. SACCO governance systems, institutional capacities, and regulatory enforcement mechanisms differ across countries, making direct generalization of findings problematic. Therefore, limited empirical evidence exists explaining how audit committee attributes influence loan portfolio performance within Uganda's SACCO environment, particularly in Bushenyi District where SACCOs continue to experience governance and loan recovery challenges.

Methodologically, most previous studies predominantly relied on cross-sectional designs and mainly examined direct relationships between audit committee attributes and general organizational performance. The studies rarely integrated objective loan portfolio indicators such as portfolio at risk and non-performing loan ratios into regression models. In addition, limited attention was given to robust regression diagnostics and assumption testing capable of strengthening validity and reliability of statistical findings. Consequently, there remains limited statistically testable evidence explaining the magnitude and significance of the relationship between audit committee attributes and loan portfolio performance within SACCOs.

Contextual reports from UMRA (2024) and the Uganda Microfinance Journal (2021) continue to reveal governance weaknesses, weak accountability systems, and increasing non-performing loans among SACCOs in Uganda despite the existence of formal governance structures. Therefore, based on the unresolved theoretical debates, conceptual inconsistencies, contextual limitations, and methodological weaknesses identified in previous studies, the current study sought to examine the influence of audit committee independence, financial expertise, and frequency of meetings on loan portfolio performance in SACCOs in Bushenyi District, Uganda. The study specifically contributes analytical and statistically testable evidence regarding how audit committee attributes influence loan repayment performance, portfolio risk, and non-performing loan ratios within SACCOs.

Consequently, it's based on that that a study developed the following hypothesis:

H01: Audit committee independence has no significant influence on loan portfolio performance in SACCOs.
H02: The number of financial experts on the audit committee has no significant influence on loan portfolio performance in SACCOs.
H03: Frequency of audit committee meetings has no significant influence on loan portfolio performance in SACCOs.

Methodology

This study adopted a cross-sectional research design to examine the influence of audit committee attributes on loan portfolio performance of SACCOs in Bushenyi district. The study conducted the analysis at the SACCO organizational level rather than at the individual respondent level. Although data was collected from 284 respondents comprising audit committee members, managers, accountants, internal auditors, and credit officers, responses from individuals within each SACCO were aggregated to generate a single SACCO-level score for every study variable. Consequently, the effective unit of analysis for regression, correlation, and descriptive statistics was the 36 SACCOs included in the study rather than the individual respondents. This organizational-level aggregation approach was considered appropriate because audit committee attributes and loan portfolio performance are institutional characteristics that are best evaluated at SACCO level rather than individual level. The aggregation of respondent responses into SACCO-level scores was statistically justified using measures of internal consistency as indicated below.

Table 1: KMO and Bartlett's Test of Sampling Adequacy

Test	Value
Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy	0.812
Bartlett's Test of Sphericity Approx. Chi-Square	1246.318
Degrees of Freedom (df)	190
Significance Level (p-value)	.000

The findings in Table above indicate that the Kaiser-Meyer-Olkin (KMO) value was 0.812, which was above the recommended threshold of 0.70, implying that the sample size was adequate for factor analysis. Similarly, Bartlett's Test of Sphericity was statistically significant ($\chi^2 = 1246.318$, $p = 0.000$), indicating that the variables were sufficiently correlated and suitable for further statistical analysis.

Table 2: Factor Loadings and Construct Validity

Variable	Number of Items	Factor Loading Range	AVE	Composite Reliability (CR)	Interpretation
Audit Committee Independence	5	0.721 – 0.846	0.641	0.871	Valid & Reliable
Financial Expertise on Audit Committee	5	0.734 – 0.882	0.668	0.889	Valid & Reliable
Frequency of Audit Committee Meetings	4	0.701 – 0.821	0.612	0.853	Valid & Reliable
Loan Portfolio Performance	6	0.748 – 0.891	0.684	0.901	Valid & Reliable

The table above indicates that all factor loadings exceeded the recommended threshold of 0.70, suggesting strong item correlations with their respective constructs. The Average Variance Extracted (AVE) values were above 0.50, confirming convergent validity of the study variables. Similarly, Composite Reliability (CR) values exceeded the recommended threshold of 0.70, indicating strong internal consistency and reliability of the constructs.

Table 3: Cronbach Alpha Reliability Statistics

Variable	Cronbach Alpha	Number of Items	Interpretation
Audit Committee Independence	0.784	5	Reliable
Financial Expertise on Audit Committee	0.801	5	Reliable
Frequency of Audit Committee Meetings	0.768	4	Reliable
Loan Portfolio Performance	0.842	6	Reliable
Overall Instrument	0.799	20	Reliable

Source: Primary data, 2025

The Cronbach Alpha coefficients for all variables were above the recommended threshold of 0.70 suggested by Cronbach (1951), indicating acceptable internal consistency and reliability of the research instruments.

Table 4: Normality and multicollinearity tests

Regression Assumption	Test Used	Statistics	Threshold	Interpretation
Normality	Skewness & Kurtosis	Skewness = -1.214 to +1.087	±2	Normality satisfied
		Kurtosis = -0.936 to +1.542	±2	Normality satisfied
Multicollinearity	VIF & Tolerance	VIF = 1.482 – 2.316	VIF < 10	No multicollinearity
		Tolerance = 0.432 – 0.675	> 0.10	No multicollinearity

Source: Primary Data

Findings and analysis

Table 5: Descriptive Statistics

Variable/Indicator	N	Mean	Std. Dev	Min	Max	Interpretation
Audit Committee Independence	36	4.12	0.684	2	5	High
Financial Expertise on Audit Committee	36	4.28	0.593	3	5	Very High
Frequency of Audit Committee Meetings	36	3.96	0.741	2	5	High
Loan Repayment Rate (%)	36	87.4	8.62	65	98	Moderate Performance
Portfolio at Risk (%)	36	12.6	6.18	3	28	High Credit Risk
Non-Performing Loan Ratio (%)	36	9.4	5.27	2	24	Poor Loan Portfolio Quality

Source: Primary data, 2025

The descriptive findings revealed that audit committee independence had a mean score of 4.12 and a standard deviation of 0.684, indicating that SACCOs highly emphasized independence of audit committee members in monitoring financial activities and strengthening accountability systems. The findings suggest that independent audit committees are associated to objectivity in decision-making and oversight effectiveness within SACCOs.

Financial expertise on the audit committee recorded the highest mean score of 4.28 with a standard deviation of 0.593. This implies that SACCOs highly valued financial knowledge, accounting skills, and auditing competence among audit committee members. The findings

suggest that financial expertise strengthened risk assessment, fraud detection, and monitoring of loan portfolio performance.
Similarly, frequency of audit committee meetings had a mean score of 3.96 and a standard deviation of 0.741, indicating that SACCOs regularly conducted audit committee meetings to review financial reports, monitor loan recovery performance, and assess institutional risks. Regular meetings is associated with governance effectiveness and accountability mechanisms within SACCOs.

Regarding objective loan portfolio performance indicators, the average Loan Repayment Rate among SACCOs was 87.4% with a standard deviation of 8.62. Although SACCOs recovered a substantial proportion of loans issued, the repayment rate remained below the recommended benchmark of 95%, suggesting weaknesses in loan recovery systems and credit management practices.
Portfolio at Risk (PAR) recorded a mean value of 12.6% with a standard deviation of 6.18. The findings indicate that SACCOs experienced relatively high credit risk because the average PAR exceeded the internationally recommended threshold of 5%, implying that a significant proportion of loans remained overdue.

Similarly, the Non-Performing Loan Ratio (NPLR) had a mean value of 9.4% and a standard deviation of 5.27, indicating weaknesses in loan portfolio quality among SACCOs. The findings suggest that SACCOs continued to experience challenges related to loan defaults, delayed repayments, and portfolio quality despite the existence of governance structures and audit committee systems.

Table 6: Pearson Correlation Analysis Results

Variables	AC Independence	Financial Expertise	Frequency of Meetings	Loan Repayment Rate	Portfolio at Risk	Non-Performing Loan Ratio
Audit Committee Independence	1					
Financial Expertise on AC	0.521**	1				
Frequency of AC Meetings	0.468**	0.574**	1			
Loan Repayment Rate (%)	0.682**	0.741**	0.618**	1		
Portfolio at Risk (%)	-0.634**	-0.712**	-0.581**	-0.774**	1	
Non-Performing Loan Ratio (%)	-0.601**	-0.695**	-0.557**	-0.736**	0.792**	1

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

The correlation findings revealed that audit committee independence had a strong positive and statistically significant relationship with Loan Repayment Rate ($r = 0.682$, $p < 0.01$). This implies that SACCOs with more independent audit committees experienced better loan recovery performance and general portfolio performance. However, audit committee independence had a negative and significant relationship with Portfolio at Risk ($r = -0.634$, $p < 0.01$) and Non-Performing Loan Ratio ($r = -0.601$, $p < 0.01$), suggesting that stronger independence reduced credit risk and loan defaults within SACCOs.

Similarly, financial expertise on the audit committee had the strongest positive relationship with Loan Repayment Rate ($r = 0.741$, $p < 0.01$). The findings suggest that financially knowledgeable audit committee members strengthened loan monitoring, risk assessment, and accountability systems, thereby improving loan portfolio performance. Financial expertise further had strong negative relationships with Portfolio at Risk ($r = -0.712$, $p < 0.01$) and Non-Performing Loan Ratio ($r = -0.695$, $p < 0.01$), implying that financial expertise significantly reduced loan portfolio deterioration and default risks.

Frequency of audit committee meetings also had a positive and statistically significant relationship with Loan Repayment Rate ($r = 0.618$, $p < 0.01$). The findings suggest that regular meetings strengthened governance oversight, monitoring of financial activities, and associated to loan recovery. However, frequency of meetings had negative relationships with Portfolio at Risk ($r = -0.581$, $p < 0.01$) and Non-Performing Loan Ratio ($r = -0.557$, $p < 0.01$), indicating that active audit committees influence loan delinquency and financial risk exposure within SACCOs.

Table 7: Summary of Regression Results

Dependent Variable	Predictors	Std. Beta	t-value	R	R^2	Adjusted R^2	F-value	Sig.	Interpretation
Loan Repayment Rate	ACI	0.384	3.746	0.792	0.627	0.593	18.274	0.000	Positive Significant
	FEAC	0.451	4.431	0.792	0.627	0.593	18.274	0.000	Positive Significant
	FACM	0.297	3.051	0.792	0.627	0.593	18.274	0.000	Positive Significant
Portfolio at Risk (PAR)	ACI	-0.341	-3.228	0.768	0.59	0.552	15.341	0.000	Negative Significant
	FEAC	-0.438	-4.012	0.768	0.59	0.552	15.341	0.000	Negative Significant
	FACM	-0.264	-2.741	0.768	0.59	0.552	15.341	0.000	Negative Significant
Non-Performing Loan Ratio (NPLR)	ACI	-0.318	-2.964	0.741	0.549	0.507	13.082	0.001	Negative Significant
	FEAC	-0.421	-3.884	0.741	0.549	0.507	13.082	0.001	Negative Significant
	FACM	-0.241	-2.517	0.741	0.549	0.507	13.082	0.001	Negative Significant

Source: primary data 2026

The regression findings revealed that audit committee attributes significantly influence loan portfolio performance in SACCOs. Specifically, the Loan Repayment Rate model produced an R value of 0.792, implying a strong relationship between audit committee attributes and loan repayment performance. The R^2 value of 0.627 indicates that 62.7% of the variation in loan repayment rate was explained by audit committee independence (ACI), financial expertise on the audit committee (FEAC), and frequency of audit committee meetings (FACM). The model was statistically significant (F = 18.274, p = 0.000), implying that the predictors jointly influenced loan repayment performance within SACCOs. Among the predictors, financial expertise on the audit committee emerged as the strongest predictor (β = 0.451, p = 0.000), followed by audit committee independence (β = 0.384, p = 0.001) and frequency of meetings (β = 0.297, p = 0.004). The findings imply that financially competent and independent audit committees strengthen loan monitoring, risk assessment, accountability, and loan recovery systems, and influences repayment performance in SACCOs.

Similarly, the Portfolio at Risk (PAR) model revealed a strong relationship between audit committee attributes and risky loans (R = 0.768). The model explained 59.0% of the variation in portfolio at risk (R^2 = 0.590) and was statistically significant (F = 15.341, p = 0.000). All predictor variables had negative and significant coefficients, implying that stronger audit committee attributes reduced credit risk exposure and overdue loans. Financial expertise on the audit committee recorded the strongest negative influence on PAR (β = -0.438, p = 0.000), followed by audit committee independence (β = -0.341, p = 0.003) and frequency of meetings (β = -0.264, p = 0.010). The findings imply that financially knowledgeable audit committee members is associates with credit risk management, loan appraisal systems, and monitoring of delinquent loans, thereby reducing risky loan portfolios within SACCOs.

The Non-Performing Loan Ratio (NPLR) model further revealed that audit committee attributes significantly reduced loan defaults in SACCOs. The model recorded an R value of 0.741 and explained 54.9% of the variation in non-performing loans (R^2 = 0.549). The regression model was statistically significant (F = 13.082, p = 0.001). Financial expertise on the audit committee remained the strongest predictor (β = -0.421, p = 0.001), followed by audit committee independence (β = -0.318, p = 0.006) and frequency of meetings (β = -0.241, p = 0.017). The negative coefficients imply that effective audit committee governance significantly influence loan defaults, portfolio deterioration, and financial risks within SACCOs.

The practical implication of these findings is that SACCOs should prioritize appointment of independent and financially competent audit committee members capable of strengthening internal controls, improving loan appraisal systems, enhancing fraud detection, and monitoring loan recovery performance. SACCOs should also institutionalize regular audit committee meetings to strengthen governance oversight and accountability mechanisms. Regulatory bodies such as the Uganda Microfinance Regulatory Authority and the Bank of Uganda should strengthen governance supervision and continuous training of audit committee members to improve institutional sustainability and reduce non-performing loans within Uganda's SACCO sector.

The study revealed the following regression models; -

Loan Repayment Rate Model

$$LRR=\alpha\_0+0.384ACI+0.451ACFE+0.297ACM+\varepsilon$$

Portfolio at Risk (PAR)

$$PAR=\alpha\_0-0.341ACI-0.438ACFE-0.264ACM+\varepsilon$$

Non-Performing Loan Ratio (NPLR)

$$NPLR=\alpha\_0-0.318ACI-0.421ACFE-0.241ACM+\varepsilon$$

Hence, all the null hypotheses (H01, H02, and H03) were rejected because the findings revealed that audit committee independence, financial expertise, and frequency of audit committee meetings had statistically significant influence on loan portfolio performance indicators in SACCOs since all p-values were less than 0.05.

Discussion of Findings

The findings of this study support Agency Theory, which argues that effective governance structures reduce agency conflicts between management and SACCO members through enhanced monitoring and accountability mechanisms. The positive influence of audit committee independence on loan repayment performance suggests that independent audit committee members provide objective oversight that minimizes managerial opportunism and strengthens compliance with prudent lending practices. The findings imply that independence within audit committees influence transparency and monitoring of loan recovery systems, which is critical for SACCO sustainability. These findings are consistent with Ghafran and Yasmin (2018), who established that independent audit committees strengthen monitoring effectiveness and financial reporting quality within financial institutions.

Furthermore, the significant positive relationship between audit committee independence and loan portfolio performance highlights the practical importance of the statutory oversight role envisioned by UMRA. The Tier 4 Microfinance Institutions and Money Lenders Act (2016) seek to protect consumer and member equity by enforcing transparency. Independent audit committees act as an autonomous layer of defense against management override and conflict of interest in credit allocation. This empirical evidence proves that when SACCOs adhere to the independent oversight principles championed by Ugandan regulatory authorities, portfolio degradation and default rates are heavily minimized.

The findings further support Stakeholder Theory, which emphasizes that organizations should safeguard stakeholder interests through responsible governance and accountability systems. The strong influence of financial expertise on loan portfolio performance demonstrates that financially knowledgeable audit committee members is related to risk assessment, fraud detection, and financial oversight within SACCOs. Practically, the findings imply that SACCOs should prioritize appointment of audit committee members possessing accounting, finance, auditing, and risk management competencies. This is because financial expertise strengthens loan appraisal systems, reduces loan delinquency, and influence portfolio quality. The findings are in agreement with Oussii and Boulila (2021), who observed that financial expertise is related to internal audit effectiveness and organizational risk management systems.

Similarly, the significant influence of frequency of audit committee meetings implies that regular meetings influence continuous monitoring of loan portfolio activities and facilitate timely decision-making regarding loan recovery and credit risk management. Frequent meetings strengthen coordination between management, internal auditors, accountants, and audit committee members, thereby enhancing accountability and institutional discipline. The findings therefore suggest that SACCOs should institutionalize regular audit committee meetings to strengthen governance effectiveness and improve monitoring of financial activities. These findings support Baatwah, Salleh, and Stewart (2019), who argued that active audit committees is associated with governance oversight through continuous supervision and review of organizational activities.

However, despite SACCOs reporting relatively high levels of audit committee independence, financial expertise, and regular meetings, the descriptive findings still revealed high portfolio at risk and relatively high non-performing loan ratios. This unexpected finding suggests that the existence of governance structures alone may not automatically guarantee strong loan portfolio performance. The findings imply that other institutional factors such as management integrity, enforcement of internal controls, ICT systems, borrower characteristics, economic conditions, and credit management policies may also influence SACCO performance. This finding therefore challenges assumptions that governance structures alone are sufficient for institutional sustainability. The findings support reports from the Uganda Microfinance Regulatory Authority and the Office of the Auditor General, which continue to reveal governance weaknesses and increasing non-performing loans among SACCOs despite the existence of formal governance mechanisms.

From a policy and practical perspective, the findings imply that SACCO regulators and management should strengthen governance enforcement mechanisms beyond merely establishing audit committees. There is need to improve financial training among audit committee members, strengthen loan monitoring systems, invest in digital financial management systems, and promote accountability mechanisms capable of reducing loan defaults and portfolio deterioration. Strengthening audit committee attributes is therefore essential in influencing financial inclusion, institutional sustainability, and realization of socio-economic transformation objectives within Uganda's SACCO sector.

Conclusion and recommendations

This study examined the influence of audit committee attributes on loan portfolio performance of SACCOs in Bushenyi District, Uganda, focusing on audit committee independence, financial expertise, and frequency of audit committee meetings. The findings revealed that audit committee independence, financial expertise, and regular meetings significantly influence loan repayment rate, portfolio at risk, and non-performing loan ratio within SACCOs. Financial expertise emerged as the strongest predictor, implying that financially competent audit committee members is associated with loan monitoring, risk assessment, fraud detection, and internal control systems. The study further established that independent audit committee members and regular meetings relate to loan recovery performance within SACCOs.

However, despite SACCOs reporting relatively strong audit committee attributes, the findings still revealed moderate loan repayment rates, relatively high portfolio at risk, and high non-performing loan ratios. This suggests that audit committee attributes alone may not automatically guarantee strong loan portfolio performance unless supported by effective management practices, strong internal controls, ICT systems, and prudent credit management mechanisms.

The study therefore concludes that effective audit committee attributes are important institutional mechanisms for strengthening accountability, influencing loan portfolio quality, reducing credit risk, and enhancing institutional sustainability within SACCOs. The findings further contribute to Agency Theory and Stakeholder Theory by demonstrating that effective audit committee attributes relate to monitoring effectiveness and safeguard stakeholders' financial interests within SACCOs.

Recommendations

For Policymakers and Regulators, the study recommends that the Uganda Microfinance Regulatory Authority (UMRA), in collaboration with the Ministry of Trade, Industry and Cooperatives (MTIC), should strictly enforce the governance provisions stipulated in the Tier 4 Microfinance Institutions and Money Lenders Act, 2016. Specifically, UMRA should establish minimum financial literacy and independence benchmarks for SACCO audit committee nominees before clearance, alongside providing standardized continuous professional development tracks for cooperative trustees to improve credit risk supervision nationwide.

The study further recommends that SACCOs should appoint audit committee members possessing accounting, finance, auditing, and risk management competencies since financial expertise emerged as the strongest predictor of loan portfolio performance. Financially competent audit committee members are better positioned to strengthen loan appraisal systems, improve risk assessment, detect fraud, and reduce loan portfolio deterioration.

SACCO management should also institutionalize regular audit committee meetings to strengthen continuous monitoring of loan portfolio activities, review loan recovery systems, and facilitate timely decision-making regarding credit risk management. Regular meetings will improve coordination between management, accountants, internal auditors, and audit committee members, thereby enhancing institutional discipline and accountability.

The study additionally recommends that SACCOs should strengthen internal control systems, improve loan monitoring technologies, and adopt effective ICT systems capable of supporting prudent credit management and reducing non-performing loans. Regulatory bodies such as the UMRA should strengthen supervision, governance enforcement, and continuous training programs for SACCO audit committee members for effective governance and institutional sustainability.

Therefore, future studies should examine additional institutional factors such as management integrity, organizational culture, ICT adoption, and regulatory enforcement that may influence loan portfolio performance within SACCOs using longitudinal and mixed-method research designs.

REFERENCES

Abbott, L., Parker, S., & Peters, G. F. (2004). Audit committee characteristics and restatements. Auditing: *A Journal of Practice & Theory, 23*(1), 69–87.

Baatwah, S. R., Salleh, Z., & Stewart, J. (2019). Audit committee chair accounting expertise and audit report timeliness: The moderating effect of chair characteristics. *Asian Review of Accounting*, 27(2), 273–306.

Bank of Uganda. (2024). *Annual Supervision Report 2024. K*ampala, Uganda.

Eisenhardt, K. M. (1989). *Agency theory: An assessment and review. Academy of Management Review,* 14(1), 57–74.

El Mahdy, D., Hao, J., & Cong, Y. (2024). Audit committee financial expertise and information asymmetry. *Journal of Financial Reporting and Accounting, 22(5)*, 1119–1151.

Fama, E. F., & Jensen, M. C. (1983). Separation of ownership and control. *Journal of Law and Economics,* 26(2), 301–325.

Freeman, R. E. (1984). *Strategic management: A stakeholder approach. Pitman Publishing.*

Ghafran, C., & Yasmin, S. (2018). *Audit committee chair and financial reporting timeliness: A focus on financial, experiential and monitoring expertise. International Journal of Auditing,* 22(1), 13–24.

Jensen, M. C., & Meckling, W. H. (2019). *Theory of the firm: Managerial behavior, agency costs and ownership structure. In Corporate Governance* (pp. 77–132). Gower.

Karimi, T., & Maina, R. (2025). Corporate governance practices and performance of Saving and Credit Cooperative Societies in Nairobi City County, Kenya. *Journal of Strategic Management, 9*(2), 158–177.

Khudhair, D., Al-Zubaidi, F., & Raji, A. (2019). Financial expertise and audit committee effectiveness. *International Journal of Accounting Research,* 7(2), 45–58.

Leng, H. (2023). *The effect of the independence, expertise and activity of the audit committee on the quality of the financial reporting process. Frontiers in Business,* Economics and Management, 7(1), 17–20.

Ministry of Trade, Industry and Cooperatives. (2023). *Report on SACCO governance and supervision in Ugand*a. Kampala, Uganda.

Muturi, J. W. (2025). *Audit committee and financial performance of deposit taking Saving and Credit Cooperative Organizations in Nairobi City County, Kenya (Master's thesis).* Kenyatta University.

Office of the Auditor General. (2023). *Annual Report of the Auditor General for the Financial Year 2022/2023*. Kampala, Uganda.

Office of the Auditor General. (2024). *Annual Report of the Auditor General for the Financial Year 2023/2024*. Kampala, Uganda.

Omona, J. (2021). P*overty eradication and wealth creation: The role and challenges of Savings and Credit Cooperatives (SACCOs) in Uganda. African Journal of Business Management,* 15(8), 198–210.

Oussii, A. A., & Boulila, N. (2021). *Evidence on the relation between audit committee financial expertise and internal audit function effectiveness. Journal of Economic and Administrative Sciences,* 37(4), 659–676.

Republic of Uganda. (2016). The Tier 4 Microfinance Institutions and Money Lenders Act, 2016. Uganda Gazette No. 34, Volume CIX.

Richard, M. O. (2024). *Assessing the impact of audit committee effectiveness on financial performance: A case study of Mwalimu SACCO in Kenya.*

Sanga, G. K., Naibei, I. K., & Cheruiyot, P. K. (2017). Association between audit committee characteristics and financial performance of SACCOs in Kericho County, Kenya. *International Journal of Advanced Engineering and Management Research*, 2(5), 1860–1863.

Solomon, J. (2020). *Corporate governance and accountability* (5th ed.). Wiley.

Tharamba, E. K., Waweru, G., & Shano, M. (2024). Influence of audit committee on the financial performance of deposit-taking SACCOs in Meru County, Kenya. *Journal of African Interdisciplinary Studies,* 8(9), 37–51.

Tricker, B. (2015). *Corporate governance: Principles, policies and practices (3rd ed.).* Oxford University Press.

Uganda Bankers Association. (2024). *Uganda Banking Industry Performance Report 2024*. Kampala, Uganda.

Uganda Microfinance Regulatory Authority (UMRA). (2024). *Annual Supervision and Performance Report of SACCOs in Uganda.* Kampala, Uganda.

Uganda Microfinance Regulatory Authority. (2021). *The Microfinance Journal 2019/2021.* Kampala, Uganda.