

The Impact of Audit Quality on Financial Performance of Listed Finance Companies in Sri Lanka

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Abstract

In Sri Lanka's dynamic financial sector, the link between audit quality and the performance of listed finance companies is a critical research focus. Exploring how audit quality shapes performance is essential for effective corporate governance and informed decision-making, all contributing to the sustainability and trustworthiness of Sri Lanka's financial environment. This article investigates the impact of audit quality on the financial performance of listed finance companies in Sri Lanka. The research sampled the data of 30 companies spanning from 2012 to 2022 obtained from the listed finance companies. According to the results of the study the audit committee meeting frequency has an insignificant impact on the financial performance. However, audit committee independence, financial expertise, and audit committee size indicate a strong and positive relationship with financial performance. Therefore, this study provides valuable insights into how audit committee attributes affect profitability. Furthermore, this research may guide companies' top management in restructuring the audit committee to improve corporate governance practices. Also, the results suggest that finance companies should ensure that listed firms set up audit committees with more independent directors and financial experts. Consequently, this paper sheds light on the corporate environment, so investors may find this research helpful in making their investment decisions.

Keywords: Audit Quality, Financial Performance, ROA, ROE, Audit Committee Size, Audit Committee Independence, Audit Committee Financial Expertise, Audit Committee Meeting Frequency.