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Internal Audit Functions and Financial Performance: Evidence from Commercial Banks in Afghanistan

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Abstract

This study examines the effect of internal audit effectiveness on the financial performance of licensed commercial banks in Afghanistan. Professional competency, the internal control system, independence of internal audit, and conformity with internal audit standards are the primary determinants of internal audit effectiveness. Primary data was gathered from 58 internal auditors, financial department staff, and risk management department staff of all eleven licensed commercial banks in Afghanistan through a structured questionnaire survey. The research approach employed was descriptive cross-sectional. Data were analyzed using descriptive statistics, Pearson correlation, and multiple regression analysis. There was a positive correlation between financial success and both professional competency and compliance with internal audit standards; the former was shown to be more important. However, there is little evidence that independence of internal audit or the effectiveness of internal control system have any bearing on financial results. This research has important consequences for financial regulators, internal auditors, and managers of Afghanistan commercial banks since it gives fresh empirical data about the sector in the post-conflict era.

Keywords: *Internal Audit, Financial Performance, Internal Control system, Commercial Banks, Afghanistan.*

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1. Introduction

In an institutional environment of decades of war, weak regulatory power, and institutional weakness, Da Afghanistan Bank is in charge of overseeing eleven different commercial banks in Afghanistan. These include Bank-e-Millie Afghan, Pashtany Bank, New Kabul Bank, Azizi Bank, Afghanistan International Bank, and Islamic Bank of Afghanistan, Maiwand Bank, Afghan United Bank, The First Micro Finance Bank Afghanistan, Ghazanfar Bank, and National Bank of Pakistan. At its heart, these organizations' governance structures revolve around their internal audit processes, which commercial banks use to gauge the efficacy of their internal control system, as well as the risk and dependability of their financial reporting. Whether this process is of any real financial benefit in a post-war institutional setting is not clear. The internal audit practice has changed from being an inspecting practice geared towards compliance to an organizational governance activity that gives assurance services and adds value to organizational performance (IIA, 2023). Empirical research in developed and developing countries has revealed there is a favorable relationship between the financial success of firms and the quality of their internal audits. Studying the Yemeni situation (Hazaea et al., 2020), Kenya (Mutua, 2012), Pakistan (Afzal, 2023) and eleven other African countries (Brekumi et al., 2023) reveals that factors such as professional competency, standards compliance and independence of internal audit have helped to improve financial performance.

These findings should be interpreted carefully, however, and not be extrapolated to other situations. In Afghanistan there is no empirical literature to serve as a resource for matters of this nature. To our knowledge, no one has investigated how different aspects of internal auditing impact the profitability of Afghanistan's commercial banks. Financial performance, internal control system, conformity with auditing standards, and auditor independence of internal audit are the focus areas of this research, which aims to analyze the effects of professional competency on these areas. Examining how independence of internal audit affects the financial performance of corporations is a first for empirical study in Afghanistan. Thus, the research makes contributions to both theory and practice.

1.1 Problem Statement & Research Gap

Although the relationship between internal audit functions (IAF) and organizational performance has been widely examined in developed economies, there is still lack of empirical evidence from fragile and post-conflict contexts. According to recent literature, the research related to internal auditing is predominantly conducted in developed and emerging markets, while the focus is rarely given to developing and fragile countries (see, for example, Christopher Humphrey & Marika Eulerich, 2019; The Institute of Internal Auditors, 2020). This problem is especially relevant in the case of Afghanistan's banking sector, where regulatory frameworks are in place, however their effective implementation continues to be challenged by institutional instability. Factors such as limited professional competency, insufficient auditor independence, outdated auditing practices, and the weak implementation of audit recommendations can undermine the effectiveness of internal audit functions. In response to these challenges, this study is designed to examine the impact of internal audit standards, professional competency, internal control system, and independence of internal audit on the financial performance of commercial banks in Afghanistan. By focusing on this underexplored institutional setting, the study aims to provide valuable empirical evidence and contribute to the existing body of knowledge.

2. Literature Review and Hypotheses

2.1 Theoretical Frameworks

This study is underpinned by three complementary theories: Agency Theory, Contingency Theory, and Lending Credibility Theory. Together, these theories explain how internal audit quality contributes to the financial performance of commercial banks by strengthening governance, improving internal control system, and enhancing stakeholder confidence.

Agency Theory

Agency Theory, formulated by Jensen and Meckling (1976), explains the relationship between shareholders (principals) and managers (agents). The theory suggests that conflicts may arise when managers prioritize their own interests over those of shareholders, which in turn results in agency costs and information asymmetry. To address these issues, internal auditing plays a vital role as a corporate governance framework by overseeing management activities, ensuring compliance with organizational policies, and evaluating the effectiveness of internal control system. In the banking industry, a strong internal audit function helps reduce agency conflicts by improving the credibility of financial reporting, enhancing risk management practices, and promoting transparency and accountability. Independence of internal audit is especially important because it enables auditors to provide impartial and objective assessments without undue influence from management. Similarly, auditors with the necessary skills, knowledge, and commitment to professional auditing standards are better equipped to conduct effective audits. These qualities contribute to stronger governance practices and improved organizational performance. Therefore, Agency Theory provides a solid theoretical foundation for examining how key dimensions of internal audit quality, namely auditor independence, auditor competence, compliance with auditing standards, and audit effectiveness, affect financial performance.

Contingency Theory

According to Contingency Theory (Daft, 2010), organizational effectiveness depends on alignment between management practices and the internal and external environment. The theory claims that there is no universal model of internal audit process since its efficiency is affected by different factors, including organizational structure, regulatory requirements, institutional conditions, technology, and auditor competence.

The application of Contingency Theory can be observed in Afghanistan's banking sector due to its institutional environment and regulatory reforms. As per the Da Afghanistan Bank's Internal Audit and Internal Control Regulations (2020), the country`s commercial banks have improved their audit and control procedures. Therefore, the impact of internal audit quality on financial performance depends on how well audit practices fit the context of commercial banks in Afghanistan.

Lending Credibility Theory

According to Lending Credibility Theory (Volosin, 2007), independent auditing enhances the credibility and trustworthiness of an organization's financial information by assuring stakeholders that financial statements accurately reflect its financial position of the organization. This reduces information risk and builds confidence among investors, regulators, depositors, and creditors. In the banking industry, where public trust is essential, high quality of internal audit promotes transparency, good corporate governance, and regulatory compliance. The end result is increased confidence of stakeholders, good reputation for the bank, and contributes to improved financial performance and long-term sustainability.

Integration of the Theories with the Research Model

All three theories can be deployed to create a solid foundation for this study. As per Agency Theory, high quality internal audits play a key role in reducing conflicts of interest and strengthening management accountability. According to Contingency Theory, the audit effectiveness depends on the institutional and regulatory environment, which makes it pertinent to conduct such study in

Afghanistan. Lending Credibility Theory explains how reliable auditing builds stakeholder trust and enhances organizational credibility, ultimately supporting better financial performance.

2.2 Empirical Evidence

The existing literature widely recognizes audit quality as an important factor contributing to corporate value and organizational performance, especially in developed economies. Previous studies, such as Carcello et al. (2005) and Arena et al. (2006), demonstrate that strong internal audit functions can enhance corporate governance, improve the reliability of financial reporting, and support better organizational outcomes. However, much of this evidence is derived from mature institutional environments, raising questions about whether these findings can be fully applied to emerging and fragile economies where regulatory systems and governance structures may differ significantly.

Recent research from developing countries has provided further support for the importance of audit quality while emphasizing the role of institutional conditions. Hazaea et al. (2020) found that independence of internal audit and compliance with auditing standards positively influenced the financial performance of banks in Yemen, indicating that effective auditing can strengthen governance even under conditions of political and economic uncertainty. Building on this perspective, Hazaea et al. (2024) argued that institutional governance mechanisms cannot operate effectively without reliable auditing practices, positioning audit quality as a foundation for effective governance rather than simply a tool for monitoring.

Evidence from South Asia also highlights the importance of audit quality in financial institutions. Afzal (2023) reported that auditors' professional competency, technical competence, and adherence to auditing standards improved internal control system in Pakistani banks. While Hazaea et al. (2020) primarily emphasized auditor independence, Afzal (2023) focused more on the role of auditor skills and professional capabilities. Together, these findings suggest that both independence and competency are essential elements in ensuring effective internal auditing.

Research from Africa provides similar conclusions. Brekumi et al. (2023), using evidence from banking institutions across eleven African countries, found that higher audit quality improved financial performance through stronger corporate governance practices. Unlike country-specific studies in Yemen and Pakistan, this cross-country analysis showed that the positive relationship between audit quality and performance remains consistent across different regulatory and institutional settings.

Further studies have expanded this understanding by showing that internal audit functions contribute beyond traditional control activities. Alzeban (2020) demonstrated that effective internal auditing improves organizational performance through better risk management and internal control system, while Eulerich et al. (2022) emphasized its role in creating organizational value through improved governance, operational efficiency, and regulatory compliance.

Despite general agreement on the positive relationship between audit quality and performance, researchers differ on which dimensions of audit quality are most influential. Studies in Yemen highlight independence of internal audit and professional standards, whereas research in Pakistan emphasizes auditor competence and expertise. African evidence mainly links audit quality with stronger governance mechanisms. These differences suggest that the impact of audit quality depends largely on the institutional and regulatory environment, making country-specific research necessary.

In Afghanistan, however, limited empirical research has examined how internal audit quality affects bank performance. Existing studies have mainly focused on regulatory challenges and institutional reforms rather than specific audit quality factors.

2.3 Research Hypotheses

There are four directional hypotheses that are generated from the theoretical constructs and literature study:

H1: Professional competency positively and significantly affects financial performance

H2: Internal Control system positively and significantly affects financial performance

H3: Adherence to internal auditing standards positively and significantly affects financial performance.

H4: Independence of internal audit positively and significantly affects financial performance.

3. Research Methodology

3.1 Design, Population, and Sampling

A descriptive cross-sectional quantitative research design was employed for this study, consistent with the positivist paradigm commonly used in auditing research (Kothari, 2004; Sekaran, 2000). The target population comprised employees from the Finance, Risk Management, and Internal Audit departments of the eleven commercial banks licensed by Da Afghanistan Bank (DAB, 2024). These departments were considered because their staff are directly engaged in internal audit, risk management, financial reporting, and internal control system. Purposive sampling was used to ensure that respondents had the relevant knowledge and experience to provide reliable information on the study variables. Therefore, only employees working in the selected departments with at least one year of banking experience were included. The minimum sample size of 55 respondents was calculated using Cochran's (1977) formula ($Z = 1.96$, $p = 0.5$, $e = 0.05$) with finite population correction. Data were collected using a structured questionnaire adapted from previous studies. The questionnaire included demographic questions and measured internal audit effectiveness and organizational performance using multiple items on a five-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree).

3.2 Measurement and Data Collection

All the variables evaluated using 5-point Likert scales, where 1 indicates Strong Disagree and 5 indicates Strong Agree. The evaluation of professional competency was based on technical abilities, credentials, work history, and subjective evaluations. Using metrics like control activities, risk assessment, and monitoring, we analyzed the internal control system. The level of compliance with the IPPF (IIA, 2023) was used to assess internal audit standards compliance. The following three elements were measured as indicators of auditors' independence: reporting relationship, independence of internal audit from undue influence, and objectivity. Financial performance was evaluated by the perceptions of profitability, asset quality, efficiency and regulatory compliance. The questionnaires were sent directly to all 11 banks and assurances of confidentiality provided in writing. A pilot study was conducted with 5 persons from the banking sector in order to fine-tune 3 of the questions concerning the terminology. Data were analyzed using IBM SPSS version 20 with descriptive statistics, multiple linear regression, Pearson correlation, and Cronbach's alpha. Measuring Financial performance was conducted based on subjective assessments rather than through objective financial ratios such as ROA and ROE, since obtaining comparable and comprehensive financial information from all commercial banks in Afghanistan is constrained by confidentiality issues, limited public disclosure, and variations in accounting and reporting practices. Subjective measures have been extensively used in organizational and management studies and it has been established that subjective assessment has a high correlation with objective financial performance, particularly when objective measures are unavailable or difficult to access (Dess & Robinson, 1984; Wall et al., 2004). Therefore, respondents' assessments of profitability, asset quality, efficiency, and regulatory compliance provided an appropriate and practical measure of financial performance for the purpose of this study.

To examine the effects of the independent variables on financial performance, the study employed a multiple linear regression model. Financial performance (FP) was specified as the dependent variable, while the independent variables include internal audit standards (IAS), professional competency (PC), internal control system (ICS), and independence of internal audit system (IIA). The regression model is expressed as follows:

$$FP = \beta_0 + \beta_1 PC + \beta_2 ICS + \beta_3 IAS + \beta_4 AIIA + \varepsilon$$

Where FP represents financial performance, β_0 is the intercept, β_1-β_4 are the regression coefficients for the independent variables, and ε denotes the error term. The model was used to estimate the individual contribution of each internal audit function dimension to the financial performance of commercial banks in Afghanistan.

4. Results and Discussion

4.1 Reliability and Preliminary Tests

The internal consistency reliability of all the variables in the study was found to be adequate with Cronbach's alpha above 0.80. This indicates that the items used to measure each construct had a level of reliability appropriate for conducting further data analysis such as correlation, regression and descriptive statistics. As such, the reliability test proved that all the variables with Cronbach's Alpha coefficients ranging from 0.842 to 0.873, the study's participants demonstrated satisfactory internal consistency. Since all Cronbach’s alpha coefficients exceeded the recommended threshold of 0.70, the measurement scales indicate satisfactory internal consistency and reliability.

Table 1: Reliability Analysis (Cronbach’s Alpha)

Variable	Scales	Cronbach’s Alpha
Financial Performance	5	0.850
Professional Competency	6	0.851
Internal Control System	5	0.873

Variable	Scales	Cronbach's Alpha
Internal Audit Standards	6	0.842
Independence of Internal Audit	7	0.867

4.2 Correlation Analysis

A moderate positive relationship between Professional Competency and Internal Control system was found in the bivariate analysis using Pearson correlation ($r = 0.571$, $p < 0.01$), while a strong positive relationship between Internal Control system and Financial Performance ($r = 0.657$, $p < 0.01$) was also found. Outside of independence, the Internal Audit Standards showed the most positive link ($r = 0.745$, $p < 0.01$), however there was also a positive correlation between the two.

All these relationships indicate that all four dimensions have a relationship with improved financial performance.

Table 2: Pearson Correlation Matrix

Variable	Fin. Perf.	Prof. Comp.	Int. Control	Audit Std.	Independence
Financial Performance	1				
Professional Competency	.657**	1			
Internal Control System	.571**	.552**	1		
Internal Audit Standards	.745**	.667**	.565**	1	
Independence of IA	.513**	.607**	.542**	.615**	1

4.3 Regression Analysis

Four internal audit dimensions were regressed to find out how well they explain commercial banks' financial performance, two of which were shown to be significant:

- Internal Audit Standards ($\beta = 0.510$, $p < .001$), the most significant.

- Professional Competency ($\beta = 0.251$, $p = .048$); on the border of significance.

- The internal control system variable ($\beta = 0.169$, $p = .131$) is in the positive direction, though it is not a strong independent variable.

- Independence of Internal Audit ($\beta = -0.044$, $p = .707$), non-significant, close to zero and negative. Due to suppression effect, this variable has a high correlation with two important factors above so it was likely suppressed and not considered.

Table 3: Regression Coefficients

Predictor	B	Std. Error	β (Beta)	t	p-value
(Constant)	0.528	0.437		1.209	0.232
Professional Competency	0.259	0.128	0.251	2.028	0.048*
Internal Control system	0.155	0.101	0.169	1.535	0.131
Internal Audit Standards	0.530	0.130	0.510	4.072	0.000***
Independence of IA	-0.044	0.117	-0.044	-0.378	0.707

4.3.1 Model Summary

The regression analysis produced the following results:

$R = 0.786$

R Square = 0.619

Adjusted R Square = 0.590

The R Square value equal to 0.619 indicates that 61.9% of the variation in Financial Performance depends on Professional Competency, Internal Control system, Internal Audit Standards, and Independence of Internal Audit, while 38.1% is attributed to other factors not considered in the study.

Table 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.786a	.619	.590	.32414

a. Predictors: (Constant), Independence of Internal Audit, Internal Control System, Professional Competency, Internal Audit Standards

4.4 Normality Test

The normality test was done on the basis of the skewness and kurtosis statistics. The skewness values ranged from -1.724 to -0.045, while kurtosis values ranged between -0.011 and 5.007. Most variables have skewness and kurtosis values in the accepted range of ±2, indicating approximate normality. There is an exception case in the Financial Performance variable, which has a kurtosis value of 5.007, exceeding the conventional threshold. Thus, the Financial Performance variable has a leptokurtic (high-tailed) distribution. Nonetheless, regression is robust to moderate deviations from normality, especially in cases where the sample size is more than 55, as stated by Field (2013), because of the Central Limit Theorem, which indicates that the sampling distribution of regression will have normality. Other variables (Professional Competency, Internal Control System, Internal Audit Standards, and Independence of Internal Audit) had acceptable values of skewness and kurtosis and can thus be used for parametric techniques. Interpretation of findings related to Financial Performance should however be done cautiously by the readers, and further studies using larger sample sizes or other distributions are recommended.

Table 5: Normality Test

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Financial Performance	5	-1.724	0.314	5.007	0.618

Professional **Competency**	6	-0.725	0.314	0.762	0.618
Internal Control System	5	-0.045	0.314	-0.011	0.618
Internal Audit Standards	6	-1.201	0.314	2.459	0.618
Independence of Internal Audit	7	-1.056	0.314	2.43	0.618
Valid N (list wise)	58				

4.5 Multicollinearity Test

Multicollinearity was tested using Tolerance and Variance Inflation Factor (VIF) statistics. The VIF values ranged from 1.684 to 2.179, which are well below the recommended threshold value of 10. Likewise, all tolerance values exceeded 0.10. These results indicate the absence of Multicollinearity among the independent variables, implying that the variables were sufficiently independent and appropriate for regression analysis.

Table 6: Coefficients

Model		Collinearity Statistics	
		Tolerance	VIF
1	Professional Competency	.472	2.120
	Internal Control Sytem	.594	1.684
	Internal Audit Standards	.459	2.179
	Independence of Internal Audit	.524	1.907
a. Dependent Variable: Financial Performance			

4.6 Descriptive Statistics Interpretation

Interpretation of Descriptive Statistics Financial Performance, Professional Competency, Internal Control System, Internal Audit Standards, and independence of internal audit were the five primary constructs examined in this study. Descriptive data for each of these variables are presented in Table 4 below. As shown in the table, 58 participants served as the basis for this investigation. You may find the range, minimum, maximum, mean, standard deviation, and variance for each of the five constructs in the table as well. The results show that all five conceptions were well-received by the respondents. At least one variable has a mean value greater than 4.00 on the 5-point Likert scale, supporting this.

Based on the mean values of the five constructs tested, FP obtained the highest mean value (M = 4.3621, SD = 0.5060). This is an indication that FP had the best response from the respondents. Furthermore, the small standard deviation of the items suggests respondents answered uniformly on the items. IAS followed closely with the mean value of 4.3362 (SD = 0.4872). This is an indication of positive and consistent responses. In the same manner, IIA got the mean value of 4.3325 (SD = 0.5073).

In addition, PC was assessed positively since it with a standard deviation of 0.4892 was 4.2759. Respondents still assessed PC as positively, even though its mean value is lower than that of FP, IAS, and IIA. Among all constructs, IC has the smallest mean value (M = 4.0103, SD = 0.5524). Respondents' agreement with the IC-related items is nevertheless indicated by the fact that the mean score is not entirely below 4.00. It is worth mentioning that the standard deviation is particularly high for the IC; respondents' attitudes towards this construct exhibit more variety than others. All of the constructions have standard deviations below 1.00, as is seen from the overall picture of the data, which falls within the range of 0.4872 to 0.5524. That is to say, the majority of the respondents' responses fell somewhere in the middle of the range of possible values. The same can be said about variances, which lie within the range of 0.237 and 0.305.

Finally, from the descriptive analysis results, it can be seen that there is a consistently positive attitude for all five constructs. A high average value and a low standard deviation and variance shows that the respondent’s attitudes towards the variables being analyzed in this research were similar. The next level of analysis to be conducted will be based on these results to investigate the relationship between the variables of the study.

Table 7: Descriptive Statistics

	N	Range	Minimum	Maximum	Sum	Mean	Std. Deviation	Variance
FP	5	2.80	2.20	5.00	253.00	4.3621	.50604	.256
PC	6	2.17	2.83	5.00	248.00	4.2759	.48921	.239

IC	5	2.40	2.60	5.00	232.60	4.0103	.55241	.305
IAS	6	2.33	2.67	5.00	251.50	4.3362	.48716	.237
IIA	7	2.57	2.43	5.00	251.29	4.3325	.50730	.257
Valid N (list wise)	29							

4.7 Interpretation and Discussion

The development of skills of professionals (H1: Supported). The competence of the professionals significantly and positively affected financial performance (β=0.251, p=0.048). It encourages the concept that professionally competent auditors aid in evaluating risks and having control over the compliance process, and in making compliance management decisions. This goes hand in hand with Afzal's (2023) and Contingency Theory's argument.

Internal Control System (H2: Not Supported). Internal control system had a positive effect, but it was (β=0.169, p=0.131) Not statistically significant. Therefore, H2 was not supported, indicating that, within the sampled commercial banks, the effectiveness of the internal control system was not a significant predictor of financial performance. A possible way of interpreting this finding, in line with Contingency Theory, is that the impact of internal control system might be contingent on other factors that were not examined in this study. It would be worthwhile for future studies to consider potential moderating or mediating factors to better explain the conditions under which internal control system contribute to organizational performance.

The Internal Audit Standards (H3: Supported). Standardized audit procedures proved the most important factor (β=0.510, p<0.001), showing that in order to enhance financial reporting and governance, it is crucial to comply with the internal audit requirements. Hazaea et al. (2020) and Brekumi et al. (2023) claim that a standards-based culture of internal audit is important, and based on the standardized coefficient, the culture of standards in internal audit is more than twice as strong as other predictors.

Independence of Internal Audit (H4: Not Supported). The bivariate correlation (r=0.513) was statistically insignificant with an independence of internal audit coefficient (β=−0.044) that was negative despite the positive relationship observed. The difference between both findings is an effect of statistical suppression due to high intercorrelations between the variables Internal Audit Standards (r=0.615) and Professional Competency (r=0.607). But it does not imply that a dimension of independence is not relevant, quite the contrary, its value could be indirect through the compliance with standards and professional competency. This is supported by Hazaea et al. (2024).

5. Conclusions, Recommendations, and Limitations

5.1 Conclusions

Three key findings emerge from the study. The first one is that the internal auditing process is an important measurable parameter that has an impact on the profitability of Afghanistan's private banks; a model explanatory power of 61.9% suggests that some internal auditing procedures do, in fact, have financial repercussions in accordance with Lending Credibility Theory. Second, meeting international audit requirements is the single most important factor in boosting financial performance (β = 0.510), which consistent with the forecast of the Contingency theory that internationally accepted frameworks are to be used as compensation for poor institutional governance. The third one is that agency theory suggests that independence of internal audit is a precondition for the audit efficiency, but even its suppression and high bivariate correlation, their independence is not statistically significant.

5.2 Recommendations

R1 – Enhance auditors professionally. Banking institutions need to ensure that their auditors are professionally developed through structured programs in technical auditing knowledge, risk-based approaches and new areas such as Cyber Security Governance, which requires an international certification (CIA designation) to be achieved periodically.

R2 – Accept IPPF as a base line standard of regulation. Da Afghanistan Bank should ensure that the compliance with IPPF is also considered mandatory in the supervision mechanism of the institutions and the audit planning, documentation, risk-based coverage and quality assurance, are evaluated within the time frame.

R3 – Encourage independence of internal audit in structure. The audit committee has to meet in secret with the chief audit executive, away from executive management, and the audit committee's charter has to state that the chief audit executive must report to the board of directors or an independent audit committee.

R4 – Correct internal control system issues. The banking institution should review the regularly assess the efficiency of its internal control system, taking into account elements like as management commitment, consistency of internal control system and time to correct deficiencies.

R5 - Improve the digital audit. Data Analytics and automated Controls Testing would enhance efficiency and effectiveness of the audit process. A guideline for the implementation of digital audit in the sector must be developed by Da Afghanistan Bank and research be conducted on development partnership with foreign countries must be explored.

5.3 Limitations and Future Research

Some limitations in this study are: the small number of respondents (n=58), which restricts the power of the statistical analysis; the low significance level of the professional competency (p=0.048), which might be a chance result, and the self-reporting of the information, which could include social desirability bias; the study is cross-sectional in nature and cannot establish causal direction; and financial statements were not present for triangulation.

Future research should use a longitudinal design that would enable better causal inference and large sample sizes and SEM

Approach to understand the indirect effect of auditor independence. The combination of surveys with interviews in the mixed-method designs will help to cover the audit culture aspect. It is also highly recommended to conduct research comparing regular banks with Islamic ones in Afghanistan.

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