Analyzing Performance Implications Of Selected Audit Committee Characteristics: A Study Of Indian Corporate Sector

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Abstract

The present research work mainly focusses on the audit committee as a key to ensure sound corporate governance framework in the companies. The insights from the present research work is a novel attempt to figure out the influence of selected audit committee characteristics on the performance of companies listed in India. Results suggest that audit committee size has a curvilinear effect on firm market valuation having an inflexion point of 4 directors comprising the members of audit committee. Further, the independent directors on audit committee start contributing towards better firm accounting performance only after they constitute more than the majority. The audit committee activity has also demonstrated significant relationship with firm performance in a non-linear fashion. The above findings have been robust to the several alternative empirical tests and modifications. It also reveals that the findings solely based upon the linear testing of influence of audit committee characteristics are not conclusive in nature. Moreover, the findings generated from the characteristics of audit committee-firm performance association in this study are contingent upon the nature of performance measure being adopted. In related to it, suitable implications and propositions have been quoted in last section as to offer directions to the interested parties.

Key Words: Audit Committee, Firm Performance, Curvilinear Effect, Indian Companies.

Introduction

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