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THE INFLUENCE OF AUDIT COMMITTEE CHARACTERISTICS ON FIRM PERFORMANCE: EVIDENCE IN OMAN

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ABSTRACT

The role of an audit committee (AC) is very significant to stakeholders in influencing the quality of disclosure of financial reporting and in improving market performance. This study examines the influence of audit committee characteristics (AC multiple directorship, AC size, AC independence, AC meeting, AC chairman independence, AC diligence) and firm performance (ROA and Tobin’s Q). The population of the study is 82 firms based on the Muscat Stock Market (MSM) listed companies as at 2014 to 2015, excluding the financial and banking sectors. The method of data collection was secondary data, using annual financial reports of firms gathered from Data Stream. The data was analyzed using Stata. The major findings of the study show that audit committee characteristics do not influence firm performance as measured by ROA. However, the study found that AC multiple directorships and AC diligence influence the firm performance as measured by Tobin’s Q. The result also showed that the control variables; (firm size and leverage) are significant in influencing firm performance (ROA and Tobin’s Q). Therefore, the study recommends future studies to consider taking into account some other variables such as foreign audit committee members, and other variables that may have a significant role in improving firm performance.

Keywords: Firm performance, audit committee, audit committee characteristics, Oman.
ABSRAK

dah pengumpulan data adalah data sekunder dengan menggunakan laporan kewangan
tahunan syarikat dan Data Stream. Data dianalisis menggunakan Stata. Penemuan utama
kajian ini menunjukkan bahawa ciri-ciri jawatankuasa audit tidak mempengaruhi prestasi
firma yang telah diukur oleh ROA. Walau bagaimanapun, kajian mendapati bahawa
kepelbagaian pengarah dan kesungguhan mempengaruhi prestasi firma yang telah diukur
oleh Tobin’s Q. Penemuan kajian juga menunjukkan bahawa pembolehubah kawalan
iaitu saiz firma dan leveraj adalah signifikan dalam mempengaruhi prestasi firma (ROA
dan Tobin Q). Oleh itu, penyelidik mencadangkan agar kajian-kajian masa depan
mengambil kira pembolehubah-pembolehubah seperti ahli jawatankuasa audit luar dan
pembolehubah yang mempunyai peranan yang signifikan dalam meningkatkan prestasi
firma.

Kata Kunci: Prestasi Firma, Jawatankuasa Audit, Ciri-Ciri Jawatankuasa Audit, Oman.
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In the name of Allah, Most Gracious, Most Compassionate and Most Merciful. Peace and praise be upon his beloved our Prophet Mohammed S.A.W., who strived for the salvation of mankind from the darkness of ignorance to the light of Islam.

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Hussein Ahmed Saleh Badhabi
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>TITLE PAGE</td>
<td>i</td>
</tr>
<tr>
<td>PERMISSION TO USE</td>
<td>ii</td>
</tr>
<tr>
<td>ABSTRACT</td>
<td>iii</td>
</tr>
<tr>
<td>ABSTRACT</td>
<td>iv</td>
</tr>
<tr>
<td>ACKNOWLEDGEMENT</td>
<td>v</td>
</tr>
<tr>
<td>TABLE OF CONTENTS</td>
<td>vi</td>
</tr>
<tr>
<td>LIST OF TABLE</td>
<td>ix</td>
</tr>
<tr>
<td>LIST OF FIGURE</td>
<td>x</td>
</tr>
<tr>
<td>LIST OF ABBREVIATIONS</td>
<td>xi</td>
</tr>
</tbody>
</table>

## CHAPTER ONE: INTRODUCTION

1.1 Background of the Study ................................................................. 1
1.2 Problem Statement ........................................................................ 9
1.3 Research Questions ........................................................................ 14
1.4 Research Objectives ........................................................................ 14
1.5 Scope of Research ........................................................................ 15
1.6 Significance of the Study .............................................................. 15
   1.6.1 Theoretical Contribution ....................................................... 15
   1.6.2 Practical Contribution ........................................................... 15
1.7 Organization of the Study .............................................................. 16

## CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction .................................................................................... 17
2.2 Firm Performance ........................................................................... 17
2.3 Audit Committee (AC) ..................................................................... 20
   2.3.1 Multiple Directorships in Audit Committee ............................... 21
   2.3.2 Audit Committee Size ............................................................... 23
   2.3.3 Audit Committee Independence ................................................ 24
   2.3.4 Audit Committee Meeting ........................................................ 27
   2.3.5 Audit committee chairman independence ................................. 29
2.3.6 Audit Committee Diligence ................................................................. 30
2.4 Theoretical Perspective - Agency Theory ........................................... 32
2.5 Summary of the Chapter .................................................................... 34

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction ........................................................................................ 35
3.2 Theoretical Framework ....................................................................... 35
3.3 Hypothesis Development .................................................................... 37
  3.3.1 Dependent Variable - Firm Performance ........................................ 37
  3.3.2 Independent Variables .................................................................. 38
    3.3.2.1 Multiple Directorships in Audit committee and Firm Performance ... 38
    3.3.2.2 Audit Committee size and Firm Performance ............................ 39
    3.3.2.3 Audit committee Independence and Firm Performance .............. 41
    3.3.2.4 Audit committee Meeting and Firm Performance ...................... 42
    3.3.2.5 Audit committee Chairman Independence and Firm Performance ... 44
    3.3.2.6 Audit Committee Diligence and Firm Performance ................... 45
3.4 Operational Definition and Measurement of the Variables .................... 47
  3.4.1 Dependent Variable ....................................................................... 47
  3.4.2 Independent Variables .................................................................. 47
    3.4.2.1 Multiple Directorships in Audit Committee ............................... 48
    3.4.2.2 Audit Committee Size ............................................................... 48
    3.4.2.3 Audit Committee Independence ................................................. 48
    3.4.2.4 Audit Committee Meeting ......................................................... 49
    3.4.2.5 Audit committee Chairman Independence ................................. 49
    3.4.2.6 Audit Committee Diligence ....................................................... 50
3.4.3 Control Variable ........................................................................... 50
    3.4.3.1 Firm Size .................................................................................. 50
    3.4.3.2 Leverage ................................................................................... 51
    3.4.3.3 Firm Big 4 Auditors ................................................................. 52
3.5 Model Specification and Multiple Regressions ..................................... 54
3.6 Research Design ............................................................................... 56
<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.7</td>
<td>Data Collection</td>
<td>56</td>
</tr>
<tr>
<td>3.8</td>
<td>Sample Method</td>
<td>57</td>
</tr>
<tr>
<td>3.8.1</td>
<td>Population and Sample Size</td>
<td>57</td>
</tr>
<tr>
<td>3.8.2</td>
<td>Unit of Analysis</td>
<td>58</td>
</tr>
<tr>
<td>3.9</td>
<td>Techniques of Data Analysis</td>
<td>58</td>
</tr>
<tr>
<td>3.10</td>
<td>Summary of the Chapter</td>
<td>58</td>
</tr>
<tr>
<td><strong>CHAPTER FOUR: RESULTS AND DISCUSSIONS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.1</td>
<td>Introduction</td>
<td>59</td>
</tr>
<tr>
<td>4.2</td>
<td>Descriptive Statistics</td>
<td>59</td>
</tr>
<tr>
<td>4.3</td>
<td>Multicollinearity</td>
<td>62</td>
</tr>
<tr>
<td>4.4</td>
<td>Test of Heteroscedasticity</td>
<td>65</td>
</tr>
<tr>
<td>4.5</td>
<td>Regression Results</td>
<td>65</td>
</tr>
<tr>
<td>4.6</td>
<td>Summary of the Chapter</td>
<td>73</td>
</tr>
<tr>
<td><strong>CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.1</td>
<td>Introduction</td>
<td>74</td>
</tr>
<tr>
<td>5.2</td>
<td>Contribution of the Study</td>
<td>75</td>
</tr>
<tr>
<td>5.3</td>
<td>Limitations of the Study and Suggestions for Future Research</td>
<td>76</td>
</tr>
<tr>
<td>REFERENCES</td>
<td></td>
<td>78</td>
</tr>
</tbody>
</table>
LIST OF TABLE

Table 3.1 Summary of operationalization definition of the variables ............... 54
Table 3.2 Summary of sample size .......................................................... 57
Table 3.3 Distribution of companies by sub-sectors ................................ 58
Table 4.1 Descriptive statistics of continuous variables .............................. 60
Table 4.2 Descriptive statistics (percentage) for dummy variables ............. 62
Table 4.3 Correlation matrix of independent variables .............................. 63
Table 4.4 Multicollinearity test ................................................................. 64
Table 4.5 Breusch-pagan / cook-weisberg test for heteroskedasticity .......... 65
Table 4.6 Regression analysis ................................................................. 67
Table 4.7 Summary of the hypotheses results ......................................... 72
LIST OF FIGURE

Figure 3.1 Theoretical framework .................................................................36
**LIST OF ABBREVIATIONS**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC</td>
<td>Audit Committee</td>
</tr>
<tr>
<td>CG</td>
<td>Corporate Governance</td>
</tr>
<tr>
<td>EBIT</td>
<td>Earnings Before Interest and Tax</td>
</tr>
<tr>
<td>GCC</td>
<td>Gulf Cooperation Council</td>
</tr>
<tr>
<td>MSM</td>
<td>Muscat Securities Market</td>
</tr>
<tr>
<td>NASDAQ</td>
<td>National Association of Securities Dealers Automated Quotations System</td>
</tr>
<tr>
<td>NYSE</td>
<td>New York Stock Exchange</td>
</tr>
<tr>
<td>ROA</td>
<td>Return on Assets</td>
</tr>
<tr>
<td>ROE</td>
<td>Return on Equity</td>
</tr>
<tr>
<td>SADGI</td>
<td>Omani National Rice Mills</td>
</tr>
<tr>
<td>SAOG</td>
<td>Omani National Investment Company Holding</td>
</tr>
<tr>
<td>SEC</td>
<td>Securities and Exchange Commission</td>
</tr>
<tr>
<td>SOX</td>
<td>Sarbanes-Oxley Act</td>
</tr>
<tr>
<td>TQ</td>
<td>Tobin’s Q</td>
</tr>
<tr>
<td>U.S</td>
<td>United States</td>
</tr>
</tbody>
</table>
CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

A sequence of well-known accounting fraud and disgraces that happened in recent years such as in Enron in 2001 and the WorldCom in 2002 has call attention of regulators and attracted the investors’ consideration globally. The greatly publicized accounting fraud have seriously upset the investor’s self-reliance in the corporate financial reporting reliability of the United States (U.S) for instant (Aldamen, Duncan, Kelly, McNamara & Nagel, 2012; Darko, Aribi, and Uzonwanne, 2016). In an attempt to reinstate the investor’s assurance, several efforts have been considered to restructure the U.S. corporate governance code and requirement. According to Aldamen et al. (2012) and Weiss, (2005) some studies showed that lack of effective audit committees to oversee the managers’ activities was identified as one of the main causes of the Enron and WorldCom failure and accounting fraud. For that reason, the U.S. congress in July 2002, following the scandal the Sarbanes-Oxley Act was enacted also which is known as the Bill of Corporate Oversight. Regarding the efforts of U.S. congress, the National Association of Securities Dealers Automated Quotations System (NASDAQ) and the New York Stock Exchange (NYSE) adopted a different corporate governance rules use for monitoring and dealing with the listed companies that were accepted by the Securities and Exchange Commission (SEC) in November, 2003.
The contents of the thesis is for internal user only
REFERENCES


80


