

Abstract

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Audit Committee Characteristics and Firm Performance: Evidence from Egyptian Listed Companies

The focus of this study is in the area of corporate governance. The overall aim of this research is to advance an understanding of the relationship between the audit committee characteristics and the firm performance represented by the ROA, ROE and Tobin's Q. Such a study is important because forming an audit committee enhances investors' expectancy of receiving improved financial reports. As a result, the firm will more likely experience an increase in its earnings response coefficients. In addition, companies with an audit committee are less likely to experience errors, irregularities and other indicators of unreliable financial reporting. The research approach adopted in this research includes GLS random effect regression over the nine year test period which test for the existence of the proposed relationship between board characteristics and firm performance. This study will reflect the impact of the recent developments in the corporate governance in Egypt on corporate performance from 2004 which is considered the year of issuance of the Egyptian code of corporate governance till 2012. The sample used in the study is based on the 50 most active Egyptian companies listed in the Egyptian stock market these companies are considered the best reflection for the Egyptian market. The findings from this research provide evidence that there is a positive relationship between the proportion of independent directors on the board and firm financial performance as measured by ROE, board meetings results showed a positive significant relationship with ROE, CEO duality showed a significant positive relationship with ROE, and the director ownership is positively associated with firm performance as measured by ROE, but the relation is not significant. The relationship between these factors and the other performance measures ROA and Tobin's Q are also investigated.