

DOES THE EXPERTISE OF THE AUDIT COMMITTEE CHAIRPERSON MODERATE THE ASSOCIATION BETWEEN AUDIT COMMITTEE ATTRIBUTES AND FIRM PERFORMANCE?

Yahya Ali Al-Matari *

* Accounting Department, College of Business Administration, King Faisal University, the Kingdom of Saudi Arabia
Contact details: King Faisal University, P. O. Box 400, 31982 AlAhsa, the Kingdom of Saudi Arabia



Abstract

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The current research aims to examine how audit committee (AC) attributes affect firm performance in the finance sector. Its main goal is to determine if the audit committee chairperson's (ACC) experience has a moderating effect on the relationship between AC attributes and the financial firm's performance. The directors who have sufficient experience are valued as intellectual resources by the companies for which they make decisions (Beasley, 1996). In addition, Turley and Zaman (2007) found that the audit committee chairperson's individual power has a substantial effect on firm performance. This study used data from 44 financial sector companies listed on the Saudi Stock Exchange from 2015 to 2019, totalling 195 firm-year observations. The Pearson correlation coefficient and multiple linear regressions were employed. According to the study's results, AC independence has a significant impact on the performance of financial companies. However, the AC chairman's expertise (*ACCEXP*) had no moderating impact on the association between AC independence and firm performance. On the contrary, the findings indicate that *ACCEXP* has a significant moderating impact on the association between AC meetings, AC size and firm performance.

Keywords: Audit Committee, Audit Committee Chairperson's Expertise, Firm Performance, Financial Companies, Saudi Arabia

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1. INTRODUCTION

As a response to large financial scandals (e.g., Enron and WorldCom) and recent financial crises, the role

of corporate governance (CG), especially concerning audit committees (ACs), has been increased to assure accurate financial reporting (Wilbanks, Hermanson, & Sharma, 2017). According to a study by Al-Okaily and Naueihed (2020), ACs are regarded

as a fundamental component of effective CG systems. Their principal duty is to review the financial reporting process in order to confirm that chief executive officers (CEOs) report their firm's performance ethically and to eliminate information asymmetry. The complexity of the financial and accounting reporting concerns assessed by AC members requires considerable director resources in relation to the number of directors, director experience and committee time (Sultana, 2015).

Employing an agency theory perspective, previous research (Fama & Jensen, 1983; Jensen & Meckling, 1976) has proposed that CG mechanisms such as ACs may mitigate agency issues and improve firm performance. According to Xie, Davidson, and DaDalt (2003), the effectiveness of ACs might be crucial for monitoring earnings management and hence improving firm performance. Nevertheless, there can be substantial gaps in AC members' ability to monitor a CEO's decisions, as some directors lack the skills required to perform their jobs successfully. Furthermore, the supervision tasks required by internal and external audits might not be feasible with a three- or four-member AC because companies place all the responsibility and obligation on the AC (Burns, 2004).

Earlier research has thoroughly investigated the association between the attributes of ACs and firm performance. Nevertheless, few studies have looked at the AC chairperson's (ACC) attributes (Bédard & Gendron, 2010). As a result, Carcello, Hermanson, and Ye (2011) suggested that there is a need for further research to investigate the effect of ACC attributes (e.g., qualities, behaviour and personality traits) in enhancing AC efficiency. It has been claimed that the ACC's personal authority has a key impact on company performance (Turley & Zaman, 2007) and that AC meetings, debates and contact with others should be achieved by the ACC (Bédard & Gendron, 2010). According to a study conducted by Schmidt and Wilkins (2013), the ACC is the AC member having the highest responsibility for financial reporting monitoring and hence is more likely than others to be considered responsible for any issues with the financial reporting.

To the best of the researcher's knowledge, no studies have yet investigated the moderating influence of ACC expertise on the association between the attributes of ACs and their firms' performance in terms of independence, size and meeting frequency. Beasley (1996) asserted that directors who have sufficient experience are valued as intellectual resources by the companies for which they make decisions. In addition, Turley and Zaman (2007) found that the ACC's individual power has a substantial effect on firm performance. Therefore, this study aims to investigate the moderating effect of ACC expertise.

A large portion of the published research with respect to ACs and firm performance has mostly focused on companies in the United States and other developed countries, with firms in emerging markets receiving less attention. As a result, there has been an urgent request for more studies on ACs in developing countries with distinctive economic environments, such as Saudi Arabia. Consequently, one aim of this research is to close a gap in previous

studies by examining the moderating influence of ACC's expertise on the relationship between AC attributes and firm performance in the context of Saudi Arabia.

The rest of this study is organized as follows: Section 2 describes the literature review; Section 3 focuses on the method and model; Section 4 presents the data analysis and results; Section 5 covers the discussion of study results and finally Section 6 presents the conclusion.

2. THEORETICAL FRAMEWORK AND LITERATURE REVIEW

2.1. Theoretical framework

There are several, often competing but sometimes complementary, theories with regard to internal corporate governance (audit committee) such as agency theory, stakeholder theory, stewardship theory, resource dependence theory and institutional theory. However, this study used both agency theory and institutional theory in examining the relationship between internal corporate governance (board of directors and audit committee) and firm performance.

According to the study of Fama and Jensen (1983) and Jensen and Meckling (1976), the view of agency argues that the audit committee is in place to supervise the management, which otherwise may act in their personal best interest and not in the interests of the principal (e.g., shareholders). Therefore, the audit committee's independent members monitor management to avoid opportunistic behavior by management. This perspective is the predominant view of the role of corporate governance in the academic accounting literature.

From the perspective of the resource dependency theory, it asserts that larger boards would produce superior business outcomes as a consequence of the many skills, knowledge, and expertise that were brought to the boardroom conversation. Large boards may also provide the variety needed for companies to gather essential resources and reduce environmental risks. A small audit committee is ineffective because it does not have the range of skills and knowledge that a large audit committee offers. The right number of members on an audit committee helps to apply their expertise to the benefit of stakeholders (Goodstein, Gautam, & Boeker, 1994; Pearce & Zahra, 1992). Building on these perspectives, this study seeks to empirically assess whether audit committees affect firm performance.

2.2. Literature review

2.2.1. AC independence and company performance

In the current corporate governance literature, the most accepted criterion for the effective conduct of an AC's oversight is independence. For example, Baxter and Cotter (2009) have reported that AC independence has a major impact on the AC's effectiveness in monitoring accounting activities. Furthermore, AC independence not only allows auditors to do their jobs independently, but it also enhances the company's internal control processes.

As a result, the independence of an AC will eventually decrease fraud in financial reporting (Abbott, Parker, & Peters, 2004). Considering this, the Saudi Arabia Code of Corporate Governance (Capital Market Authority [CMA], 2017) requires that at least one member of the AC is an independent director and that no executive directors serve on the AC.

According to the results of prior relevant studies, the positive association between AC independence and firm performance is still uncertain. The studies of Chan and Li (2008) and Dakhllalh, Rashid, Abdullah, and Al Shehab (2020) discovered that AC independence influences the performance of firms. In addition, companies with non-executive directors have been reported to be more likely to perform better than those controlled by executive directors (Ameer, Ramli, & Zakaria, 2010). Independent directors have also been shown to help alleviate firm conflicts (Erickson, Park, Reising, & Shin, 2005).

In contrast, there is proof that company performance and AC independence are negatively related. For example, Barka and Legendre (2017) found that the percentage of independent directors on an AC had a negative relationship with company performance. Dechow, Ge, Larson, and Sloan (2011) discovered that firms with fewer independent directors on their ACs were more likely to be exposed to fraud than companies in the same sector and of similar size with more independent directors on their ACs. According to Erickson et al. (2005), a director's independence is intended to reduce the firm's issues, and AC independence is frequently required to deal with company issues.

Based on the previous explanation and the agency theory, the hypothesis below will be investigated experimentally:

H1: There is a positive association between AC independence and company performance.

2.2.2. AC size and company performance

According to the resource dependency theory, a larger AC is essential for a company's success and growth. This theory also claims that AC members can possess some characteristics, such as skills and knowledge, that will allow them to better monitor management, resulting in higher profitability. Even though the size of a company normally affects its AC's size, the AC can include three to five members (Buchalter & Yokomoto, 2003), while according to the Cadbury Report (Cadbury, 1992), Sarbanes-Oxley Act (2002) and Smith Report (Smith, 2003), an AC must have at least three members.

Similarly, the Saudi Arabia Code of Corporate Governance mandates that firms have three or more AC members (CMA, 2017). It is argued that AC size and firm performance have a significant relationship. Several studies have supported this view, such as those by Alqatamin (2018), Rahman, Meah, and Chaudhory (2019) and Zraiq and Fadzil (2018). However, the study of Fariha, Hossain, and Ghosh (2022) revealed that audit committee size has a negative and significant relationship with firm performance as measured by Tobin's Q. Dalton, Daily, Johnson, and Ellstrand (1999) demonstrated the presence of a positive association between board size and the monitoring process, leading to

improved company performance. In addition, ACs with more members are more likely to have a diverse range of expertise and skills, which is expected to improve monitoring (Mohd Saleh, Mohd Iskandar, & Mohid Rahmat, 2007).

Accordingly, the following hypothesized association is proposed:

H2: There is a positive association between AC size and company performance.

2.2.3. AC meetings and firm performance

The number of AC meetings may be reliably taken as a proxy for its activities (Xie et al., 2003). Therefore, if it meets frequently with its auditors, an AC should be more knowledgeable of the company's issues that are related to auditing and accounting. According to the Saudi Arabia Code of Corporate Governance (CMA, 2017), companies are urged to hold a minimum of four meetings so that an AC can adhere to the audit program, issue annual reports in a timely manner and fulfil its other duties in response to situations that arise throughout the year.

Regular AC meetings have experimentally proved to significantly reduce a range of business issues, which can obviously have an influence on firm performance (Mohd Saleh et al., 2007; Xie et al., 2003). According to Vafeas (1999), frequent board meetings have a positive relationship with company performance, providing an excellent example of the impact board meetings can have. Additional studies, such as those by Al-Matari, Al-Swidi, Fadzil, and Al-Matari (2012), Mohd Saleh et al. (2007) and Al Farooque, Buachoom, and Sun (2020) have revealed that frequent AC meetings are a key factor influencing company performance.

In light of the above, the following hypothesis is proposed:

H3: There is a positive association between AC meeting frequency and company performance.

2.2.4. The moderating effect of the expertise of the audit committee chairperson (ACCXP)

The position of ACC has a substantial impact on AC performance. According to Bédard and Gendron (2010) and Tanyi and Smith (2014), the ACC is in charge of ensuring that information reaches the committee in an appropriate way and that there is a highly stable association between the AC and other parties. As a result, the ACC has the greatest duty for overseeing the process of conducting financial reporting and is more probable than other members to be held accountable for any possible disaster (Schmidt & Wilkins, 2013). The Saudi Arabia Code of Corporate Governance (CMA, 2017) states that members of the AC must be sufficiently knowledgeable about financial issues. Additionally, Chapter 2 Article 54(a) of the Corporate Governance Regulations states that at least one member of the AC must have a background in finance and accounting.

Previous research has examined the effect of AC expertise on firm performance. The majority of studies, including those by Aanu, Odianonsen, and Foyeke (2014), Kipkoech and Rono (2016), and Nuhu, Umaru, and Salisu (2017), have revealed a positive association. The results of studies in regard to developing markets are conflicting.

Alqatamin (2018) didn't discover a significant association, while Hamid and Aziz (2012) did. However, previous studies have not adequately investigated the issue of *ACCEXP*.

Therefore, this study anticipates that *ACCEXP* will increase AC effectiveness and lead to improved performance. Consequently, the study proposed the following hypotheses for investigation:

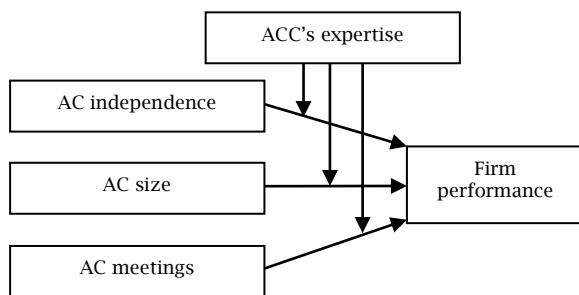
H4: The ACCEXP moderates the association between AC independence and company performance.

H5: The ACCEXP moderates the association between AC size and company performance.

H6: The ACCEXP moderates the association between AC meeting frequency and company performance.

The theoretical framework of the study is shown in Figure 1.

Figure 1. Theoretical framework



3. METHODOLOGY AND MODEL

3.1. Selection of a sample

Regarding the study's target population, it should be noted that the study's population consisted of all registered Saudi companies in the finance sector and thus contained 44 registered firms listed on the Saudi Stock Exchange (Tadawul¹). A total of 220 firm-year observations from 2015 to 2019 comprise the study's sample. However, the total number of companies decreased from 44 to 39 as a result of insufficient corporate governance and financial data. Consequently, 39 public listed companies (PLCs) and 195 observations across five years comprised the study's final sample. Data were gathered via the company's yearly reports, which were made public on the Tadawul website.

3.2. Variables measurements

In accordance with Mohammad, Wasiuzzaman, and Salleh (2016), AC independence (*ACINDEP*) was measured by dividing the total number of ACs by the number of independent directors. The total number of AC members was used to calculate the AC's size (*ACSIZE*) (Al-Rassas & Kamardin, 2015; Mohd Saleh et al., 2007), while the frequency of AC meetings (*ACMEET*) was calculated using the number of total meetings held during one year (Zaman, Hudaib, & Haniffa, 2011). Using Al-Absy, Ku Ismail, and Chandren (2019), *ACCEXP* was calculated by assigning a score of one to an AC chaired by

a specialist in finance or accounting and zero otherwise.

Return on assets (*ROA*) was used to evaluate the performance of the companies. *ROA* has been utilized in several previous studies (ElHawary, 2021; Marashdeh, Alomari, Aleqab, & Alqatamin, 2021) as a measure of firm performance. It is helpful for assessing how well a company is utilising its assets to generate net income from operations overall.

Based on research by Peng, Li, Xie, and Su (2010), the book value of an entire firm's assets was used to calculate the study's controlled variable for firm size. In addition, the study included leverage as a control variable. Leverage was measured by dividing total liabilities by total assets (Kallamu & Saat, 2015). Since the banking industry plays a significant role in distributing cash throughout industries, encouraging economic growth and stabilizing the country's financial situation (Shah & Jan, 2014), the banking sector was assessed by giving banks a score of one and zero otherwise.

3.3. Model specification

The association between AC and the performance of Saudi-listed financial firms was examined using two models in this study. Using Model 1, the following analysis was done to assess the direct association between AC attributes and firm performance:

Model 1

$$ROA = \beta_0 + \beta_1 ACINDEP + \beta_2 ACSIZE + \beta_3 ACMEET + \beta_4 FSIZE + \beta_5 LEVGE + \beta_6 BSECT + \varepsilon \quad (1)$$

Model 2 was used to analyse the moderating impact of *ACCEXP* on the relationship between AC attributes and company performance:

Model 2

$$ROA = \beta_0 + \beta_1 ACINDEP + \beta_2 ACSIZE + \beta_3 ACMEET + \beta_4 ACCEXP + \beta_5 ACINDEP_ACCEXP + \beta_6 ACSIZE_ACCEXP + \beta_7 ACMEET_ACCEXP + \beta_8 FSIZE + \beta_9 LEVGE + \beta_{10} BSECT + \varepsilon \quad (2)$$

Table 1 contains detailed information for all the study's variables.

Table 1. A summarized version of the study's variables measurements

Variable name	Variable measurement
<i>ACINDEP</i>	Percentage of independent directors on the AC (excluding ACC)
<i>ACSIZE</i>	Number of directors on the AC
<i>ACMEET</i>	Number of meetings held by the AC during the year
<i>ACCEXP</i>	1 if the chair of the AC has qualifications and experience in accounting or finance, 0 otherwise
<i>ROA</i>	Net income/total assets
<i>FSIZE</i>	Book value of the company's total assets
<i>LEVGE</i>	Proportion of total liabilities to total assets
<i>BSECT</i>	1 if it is a bank, 0 otherwise

¹ <https://www.saudiexchange.sa/>

4. DATA ANALYSIS AND RESULTS

4.1. Descriptive itatistics

Descriptive statistics were analysed prior to the regression analysis. The mean values of the variables, as seen in Table 2, are as follows: *ACINDEP*, *ACSIZE*, and *ACMEET* are 2.613, 3.026,

and 5.004, respectively, while the mean values of *FSIZE* and *LEVGE* are 281 million and 1.943, respectively. With regard to Table 3, 118 (60.51%) firms reported having an accounting or finance expert for ACC. Table 3 further shows that 55 (28.21%) of the firms are banks, while 140 (71.79%) are insurance companies.

Table 2. Descriptive statistics of the study's variables

Variable	Obs.	Mean	Std. dev.	Min	Max	Skewness	Kurtosis	VIF
<i>ACINDEP</i>	195.00	2.613	1.302	2.000	5.000	2.050	5.054	4.041
<i>ACSIZE</i>	195.00	3.026	0.490	3.000	5.000	2.342	8.483	2.153
<i>ACMEET</i>	195.00	5.004	0.811	3.000	9.000	1.901	6.430	5.320
<i>ROA</i>	195.00	0.451	4.070	-0.899	45.754	1.484	4.654	3.346
<i>LEVGE</i>	195.00	1.943	0.871	0.667	5.750	-0.480	5.048	1.048
<i>FSIZE*</i>	195.00	281	556	329.873	3,650	2,650	3,650	2,045

Note: * Value of firms in millions.

Table 3. Descriptive statistics of the study's dummy variables

Variables	Frequency	Proportion
<i>ACCEXP</i>	118	60.51%
<i>BSECT</i>	55	28.21%

4.2. Correlation analysis

In order to comprehend the association between all the study's variables, a Pearson correlation analysis was done. All correlations were less than 0.90, as shown in Table 5. This demonstrates that collinearity among variables is not an issue in the study (Hair, Black, Babin, & Andersen, 2010). Furthermore, kurtosis and skewness were measured to evaluate the normality of the variables. As can be

seen in Table 2, the dataset of individual variables does not interfere with the normality assumption; specifically, the skewness and kurtosis are no more or less than the thresholds of ± 3 and ± 10 , respectively. Furthermore, the variance inflation factor (VIF) values for all variables were found to be between 1.048 and 5.320, as shown in Table 2, demonstrating that the multicollinearity issue was not present in this study.

Table 4. Results of the correlation discriminant validity analysis

	<i>ACINDEP</i>	<i>ACMEET</i>	<i>ACSIZE</i>	<i>BSECT</i>	<i>FSIZE</i>	<i>ACCEXP</i>	<i>ROA</i>	<i>LEVGE</i>
<i>ACINDEP</i>	1							
<i>ACMEET</i>	-0.156	1						
<i>ACSIZE</i>	-0.143	0.008	1					
<i>BSECT</i>	-0.024	-0.203	0.281*	1				
<i>FSIZE</i>	0.135	-0.028	0.032	-0.019	1			
<i>ACCEXP</i>	0.123*	0.026	0.041**	0.253	0.721	1		
<i>ROA</i>	-0.122	-0.086	-0.035	-0.063	-0.046	0.3100	1	
<i>LEVGE</i>	-0.077	0.497	-0.401	-0.278	-0.056	0.804	-0.093	1

Note: **The correlation is significant at the 0.01 level (2-tailed). * The correlation is significant at the 0.05 level (2-tailed).

4.3. Structural model

In order to investigate the hypothesized relationship between the sample variables, a regression analysis was performed. As shown in Table 5, according to R^2 , the model's independent variables account for 34.8% of the variance in firm performance. $F = 2.735$ ($p < 0.01$) was the significant value for the model, and the adjusted R^2 is 21.7% (the adjusted R^2 indicates whether other input factors are influencing this model).

The findings revealed a significant association between *ACINDEP* and the performance of Saudi finance firms ($\beta = 0.502$; $t = 3.445$; $p < 0.01$); therefore, $H1$ is supported. However, *ACSIZE* was shown to have no relationship to the performance of Saudi finance firms ($\beta = 0.273$; $t = 1.153$; $p > 0.05$); thus, $H2$ is not supported. *ACMEET* was proven to have a significant negative relationship with the performance of Saudi finance firms ($\beta = -0.249$; $t = 2.314$; $p < 0.05$); hence, $H3$ is not supported.

Table 5. Model regression analysis results

Variable	Coefficient	Std. error	t-statistic	Prob.
<i>ACINDEP</i>	0.502**	0.574	3.445	0.003
<i>ACSIZE</i>	0.273	0.424	1.153	0.802
<i>ACMEET</i>	-0.249*	0.595	-2.314	0.042
<i>FSIZE</i>	1.179	0.490	2.123	0.027
<i>LEVGE</i>	0.053	0.631	0.430	0.483
<i>BSECT</i>	0.681	2.342	2.175	0.028
R-squared				0.348
Adjusted R-squared				0.217
F-statistic				2.735
Prob (F-statistic)				0.001

Note: * $p < 0.05$; ** $p < 0.01$.

4.4. Testing the moderating effect of the *ACCEXP*

As indicated in Table 6, the moderating impact of the *ACCEXP* on the association between the AC attributes and company performance was investigated. The model showed a significant relationship at the 0.01 level ($F = 3,820$; $p < 0.01$). The findings shown in Table 6 reveal that

the *ACCEXP* does not significantly moderate the association between *ACINDEP* and *ROA* ($\beta = 0.047$; $t = 0.053$; $p > 0.05$). On the other hand, the results demonstrate that the *ACCEXP* significantly moderates the associations between *ACSIZE* and *ROA* ($\beta = 1.721$; $t = 3.136$; $p < 0.01$) and between *ACMEET* and *ROA* ($\beta = 1.052$; $t = 2.263$; $p < 0.05$).

Table 6. Regression results for the moderating effects of the audit committee chairperson's expertise

Variable	Coefficient	Std. error	t-statistic	Prob.
<i>ACINDEP_ACCEXP</i>	0.047	2.240	0.053	0.248
<i>ACSIZE_ACCEXP</i>	1.721**	0.721	3.136	0.007
<i>ACMEET_ACCEXP</i>	1.052*	0.417	2.263	0.043
<i>FSIZE</i>	0.000	0.000	-0.584	0.560
<i>LEVGE</i>	2.402	2.364	1.346	0.148
<i>BSECT</i>	0.823	0.578	0.387	0.851
R-squared				0.246
Adjusted R-squared				0.140
F-statistic				3.820
Prob (F-statistic)				0.000

Note: * $p < 0.05$; ** $p < 0.01$.

5. DISCUSSION OF RESULTS

This section will discuss the results of the study. As previously mentioned, this study aimed to examine two major objectives: first, to investigate the association between AC attributes (*ACINDEP*, *ACSIZE* and *ACMEET*) and firm performance (*ROA*) and second, to determine the moderating impact of *ACCEXP* on the association between AC attributes and firm performance (*ROA*).

Regarding the association between *ACINDEP* and firm performance, the results demonstrate that more independent committees have a highly substantial impact on performance, which supports *H1*. This might be explained by the potential of a board of directors with a large number of independent directors to provide closer supervision because of their ability to handle management pressure (Kallamu & Saat, 2015). Additionally, our findings are consistent with the agency theory, which contends that director independence enables the effective supervision of managers for increasing profitability and decreasing the possibility of opportunistic behaviour over time. Our findings are in line with those of Al-Mamun, Yasser, Rahman, Wickramasinghe, and Nathan (2014), Buallay (2018), and Kallamu and Saat (2015), who all discovered a positive association between *ACINDEP* and firm performance.

Concerning *ACSIZE*, the results indicate that it is not significantly related to firm performance, which means that *H2* is rejected. This finding contrasts those of the Blue Ribbon Committee's (1999) report and recommendations regarding the importance of enhancing company AC effectiveness by establishing the Cadbury Commission and requiring that committees have at least three members. Conversely, when a committee is overly broad, coordination and procedure issues may lead to directors' performance suffering, highlighting yet another factor that can contribute to poor monitoring (Jensen, 1993; Vafeas, 2005).

In contrast to previous research (Kent, Routledge, & Stewart, 2010; Vafeas, 2005; Xie et al., 2003) that showed a higher frequency of *ACMEET* is related to factors that enhance the quality of financial reporting and performance, this study

found a significant negative relationship between *ACMEET* and company performance. Thus, *H3* is rejected. According to Engel, Hayes, and Wang (2010) and Goodwin-Stewart and Kent (2006), AC meetings are a sign of the general need for oversight of a company's financial reporting, which is seen to translate into increased openness. However, if audit committees spend too much time talking about matters unrelated to their work during too many meetings per year, the quality of their reporting might decrease.

With regard to the moderating effects investigated in this study, the results indicate that *ACCEXP* moderates the *ACSIZE*-cooperate performance relationship and the *ACMEET*-cooperate performance relationship. On this basis, *H5* and *H6* are supported. These findings are consistent with agency theory and resource dependence theory and accept the view that directors with expertise are considered to be intellectual resources for those companies in which they are decision experts (Beasley, 1996). Finally, the study's results showed no moderating effect for the *ACINDEP*-cooperate performance relationship, meaning *H4* is rejected.

6. CONCLUSION

The effectiveness of ACs has become increasingly important in light of recent financial crises; subsequently, regulatory reforms have focused on this issue. One of the major concerns raised by past company failures is that individuals do not have the expertise required to do their jobs. Expertise among AC members and the key member of ACs, the ACC, is common among big firms in Saudi Arabia and other countries. However, its impact on firm performance has yet to be fully examined in the literature. As a result, this article is a pioneer in the field of examining the moderating impact of ACC expertise on the association between AC attributes and financial company performance. Additionally, in the context of Saudi-listed companies, this research offered empirical evidence demonstrating the effect of AC attributes on the performance of financial firms. A total of 220 firm-year observations from 2015 to 2019 comprise

the study's sample. Data were gathered via the company's yearly reports, which were publicly disclosed on the Tadawul website.

The study's empirical findings suggest that independent AC directors enhance the performance of financial firms, suggesting that Saudi Arabia's CMA and Saudi Arabian Monetary Authority (SAMA) requirements regarding AC independence are empirically supported. In addition, the results show that ACC expertise significantly moderates the relationship between AC size, AC meetings and company performance. This evidence may be useful to investors when deciding, in terms of governance, whether to invest in Saudi financial firms. Moreover, the findings can provide assistance in the oversight required of Saudi financial firms by making agency theory and resource dependency theory clearer.

The present study has several limitations. The first is that it only investigates how ACC

expertise moderates the association between AC attributes and company performance among Saudi-listed financial firms. The same factors may be examined in the GCC context by authors in the future. The study also limited its moderation effectiveness tests to ACC expertise, and in this regard, future work should explore other moderation variables on firm performance, such as board characteristics, risk committee characteristics, internal audit mechanisms and others. In this study, there is also a limitation from the use of ROA as a measure of performance. Additional indicators may be used in future studies to provide a more thorough understanding of firm performance. Since the current study is quantitative in nature, a qualitative approach can be utilized as an alternative methodology in which interviews with the chiefs of the audit committees can be conducted to collect data regarding the study variables.

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