

THE IMPACT OF AUDIT COMMITTEE CHARACTERISTICS ON FIRM PERFORMANCE: A COMPARATIVE STUDY OF LISTED MANUFACTURING COMPANIES AND LISTED HOTELS IN SRI LANKA

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Abstract

The auditor, an important instrument of corporate governance, ensures the transparency and accountability of the firm to the stakeholders that helps to control and monitor management in the organization. This study aims to investigate the impact of various audit committee (AC) characteristics on the performance of listed manufacturing companies and listed hotels in Sri Lanka. A panel data approach has been used in this study. The sample consists of 10 listed manufacturing companies and 10 listed hotels from 2012 to 2021 in Sri Lanka. In this study, data was collected from secondary sources and hypotheses are examined by using Pearson's correlation and multiple regression analysis (Eviews). The outcome of the study revealed that the professional financial education of the AC chairman, independence, directors of committee, members and internal processes of AC positively affects the performance, the frequency of the AC meetings bears an adverse relationship with performance. Further audit committee size is not found to have a significant impact on the organizational performance. This paper will be greatly beneficial for financial practitioners and policymakers because it provides practical suggestions and recommendations who are entrusted with the establishment of ACs in light of the ongoing regulatory reforms. To the best of the authors' knowledge, to date, no previous research has evaluated a comparative study of the impact of audit committee features on the firm performance of listed manufacturing companies and listed hotels in Sri Lanka. This study recommends that the regulatory authority and audit committee should review the frequencies of audit committee meeting to make it more effective to ensure better firm performance.

Keywords: *Corporate Governance, Audit Committee Characteristics, Firm Performance,*