

The Effect of Audit Committee Characteristics on Firm Value: Evidence from Firms Listed on the Egyptian Stock Market

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Abstract

The audit committee is the most important subcommittee of the board of directors due to its specific role of protecting the interest of shareholders in relation to financial oversight. It plays a very important role in corporate governance and the internal audit procedure by monitoring managers' activities concerning financial disclosure. This study seeks to identify the unique contributions made by each proxy and to provide compelling evidence that demonstrates how an Audit Committee mechanism impacts Firm Value. This paper aims to investigate how the audit committee's characteristics affect firm value in Egypt. Using a sample of 80 non-financial Egyptian companies listed on the Egyptian Stock Exchange for the eight financial years from 2012 to 2019. Audit Committee characteristics are represented by Audit Committee independence, Audit Committee size, the frequency of Audit Committee meetings, Audit Committee expertise, and Audit committee gender. Tobin's Q is used to measure Firm value. Panel data regression was used in the archival modeling study. Using a multiple regression model to test the relationship among the variables, the results provide evidences that Audit Committee Expertise, Audit Committee Size, Audit Committee Independence and Audit Committee Gender have a significant positive impact on firm value. Otherwise, Audit Committee Meetings have a positive relation but insignificant with firm value. This study offers numerous recommendations to the regulatory authorities in Egypt on how to improve and strengthen the internal governance systems of businesses, particularly the Audit Committee.

Keywords

Corporate Governance, Audit Committee's Characteristics, Firm Value, Egypt

1. Introduction

Audit committees have received a lot of attention as a necessary element of the corporate governance process. The board of directors of any organization relies on the reports of the audit committee on issues related to management, direction and control of the company. [Turley and Zaman \(2014\)](#) and [Fichtner \(2010\)](#), among others, point out how recent corporate collapses and scandals have brought Audit Committees back into the spotlight for regulators and governments in the developed world. As a result, many of these nations have created corporate governance guidelines where these committees are given a major role. The audit committee is essential to keeping an eye on management procedures to help preserve shareholder value ([Islam et al., 2010](#)). This is accomplished by ensuring the financial reporting, internal control, and management risk reliability, as well as by improving the quality and credibility of the yearly audited financial reporting ([DeZoort et al., 2002](#)). Thus, the audit committees must be independent, highly qualified, and honest in required to conform to international accounting standards and governmental regulations. Audit committees must have a number of essential characteristics in order to be credible and reliable. These characteristics include independent and knowledgeable members with appropriate knowledge and experience in related sectors. [Aldaoud \(2015\)](#) argues that to carry out its obligations more efficiently, the committee must be large and have regular meetings. According to [Goodwin and Seow \(2002\)](#), an efficient audit committee reduces financial statement mistakes and increases the likelihood of spotting management fraud.

2. Literature Review and the Hypotheses

This section will discuss the Agency Theory, Stewardship Theory, Resource Dependency Theory and the development of research hypotheses. It will look into how the Audit Committee affects firm value in Egypt by examining the impact of the Audit Committee's independence, size, number of meetings per year, gender, and expertise.

2.1. Agency Theory

According to [Jensen and Meckling \(1976\)](#) agency theory is concerned with the relationship that arises between two parties when one (the principal) authorizes the other (the agent) to manage their business on their behalf. Since they work as the shareholders' agents, executives must therefore coordinate their managerial actions with the interests of the shareholders. Owners put their money into their businesses, and executives are in charge of looking after that money. An agency problem occurs when the interests of the principal and the agent conflict, making it difficult or costly for the principal to monitor the agent's behavior. This theory explains the fundamental issue between shareholders and managers as well as the reason why shareholders typically rely on the audit committee to oversee audit quality since they are unable to do so on their own. The importance of audit com-

mittees as a tool for enhancing the quality of company financial reporting practices has been generally acknowledged. No matter the corporate governance model used in the entity's home country, [Chen et al. \(2008\)](#) claimed that an efficient Audit Committee can fix or decrease agency problems in foreign organizations. Moreover, [Dey \(2008\)](#) discovered that organizations with more effective and efficient audit committees have lower levels of agency problems. According to [Wild \(1994\)](#), the establishment of an audit committee causes the market to respond more favorably to a company's revenues. According to [Klein \(1998\)](#), the existence of an audit committee has little impact on a number of accounting and market performance indicators. According to the agency theory, having an audit committee on the board of directors is enough to guarantee the accuracy of the financial reports.

2.2. Stewardship Theory

Stewardship theory is another significant theory of corporate governance. According to [Sundaramurthy and Lewis \(2003\)](#), stewardship theory places a stronger emphasis on cooperation and collaboration than agency theory, which emphasizes control and conflict. Stewardship theory places more emphasis on the role of senior management as stewards, integrating their objectives as part of the company than it does on the individualistic viewpoint ([Donaldson & Davis, 1991](#)). According to the stewardship theory, when organizational success is realized, stewards feel fulfilled and inspired. According to the stewardship theory, managers are generally trustworthy people who treat the resources entrusted to them with care. Inside directors have more in-depth business knowledge than outside directors because they work full-time for the organization they oversee. As a result, they are better able to make decisions. Stewardship theory supporters claim that a majority of inside directors will be associated with better firm performance as they naturally seek to maximize profit for shareholders. According to [Davis et al. \(1997\)](#), the stewardship hypothesis has its roots in organizational psychology and sociology and states that "a steward preserves and maximizes shareholders' wealth through company performance because by doing so, the steward's utility functions are maximized." The firm executive is recognized in this definition as the steward performing on behalf of the principal. Agents are therefore stewards who responsibly control and manage the company to improve its financial performance since stewards prioritize the interests of the company over their own ([Abdullah & Valentine, 2009](#)). Stewards are aware that there is a trade-off between their own demands and those of the company, and they prefer to work on behalf of the company's priorities and pursue its goals ([Cribb, 2006](#); [Davis et al., 1997](#)). This behavior, in turn, will benefit principals such as citizens (through good service delivery), because their objectives are advanced by the steward ([Davis et al., 1997](#)). According to this theory, executive managers (Internal) are more likely than non-executive managers (External) to improve the performance of the firms since they are better familiar with their companies. External managers only improve the board's decision-making process. Executive managers, according to

Donaldson and Davis (1991), have an abundance of knowledge about every part of the business and focus more on accomplishing organizational goals than on pursuing their individual goals. The audit committee is a key in ensuring that appropriate financial rules and controls are applied so that the stewards meet both the owner's and their own stewardship goals. The committee must be able to monitor management conduct to make sure it is in line with the owners' goals, that management is coming up with plans to make the best use of resources, and that there are no instances of misappropriation of business assets.

2.3. Resource Dependency Theory

This theory, which is founded on the idea of cooperation, focuses especially on the efforts made by a board of directors to establish suitable connections with the outside environment in order to grow the firm. Accordingly, the provision of varied resources by the board of directors is the primary source of improving organizational operation, company performance, and organizational life (Daily et al., 2003). Furthermore, Nguyen et al. (2014) underline that a company's board of directors gives it a way to acquire essential resources when making its case from a resource dependency theory perspective. Also, Point out how this theory describes the positive association between board diversity and business value. According to Pearce and Zahra (1991), Goodstein et al. (1994), the board of directors is the primary cooperative mechanism through which the organization links to the external environment to access crucial resources and protect itself against unfavorable environmental change. Given that its members can offer guidance based on their expertise and experience, the board may play a significant role in enhancing a company's performance. According to the resource dependence theory, the audit committee is a hidden asset that could enhance an organization's expertise, reputation, coordination, and connections so it can attract more resources. The board's role increases the outward-looking border to benefit a corporation, according to resource dependency theory, which emphasizes this point. Therefore, the question of whether the audit committee's involvement in Egypt adds value or offers the company additional services in addition to performing its independent control may be raised. As a result, increasing the number of qualified audit committee members is thought to be a key strategy for accurate financial reporting and high-quality audits from which businesses may get valuable resources.

2.4. Audit Committee Characteristics and Firm Value

The committee is such a device that eliminates the intervention of publishing the company's information and aids soften the agency costs in the firm improving the firm's system (Akhtaruddin & Haron, 2010; Bédard & Gendron, 2010) including company reporting and publication process. Fama (1978) asserts that the market price of the stock, which is regarded as a reflection of the true value of the company's assets, will reflect the firm value. The market price of the stock is formed between the buyer and the seller when the transaction is referred to as the value

of the enterprise market. The job of the audit committee as a corporate governance structure becomes highly significant and crucial to build and maintain corporate control system in order to enhance performance and firm value. Previous research on the audit committee demonstrates that the structure of the committee affects how effective it is (Dhaliwal et al., 2010; Li et al., 2012). As a result, having the right experience and expertise enables the audit committee to effectively carry out its duties. Thus, we can conclude that there is a link between the audit committee's structure and the value of the firms (Madi et al., 2014). Gender diversity on boards and the audit committee, according to Conyon and He (2017), increases firm value and improves the quality of monitoring and financial reporting. The more effective the audit committee is, the higher the quality of the financial reporting will be.

2.4.1. Audit Committee Meetings and Firm Value

Audit committee diligence signifies the total number of meetings held in a year (Maraghni & Nekhili, 2014). How frequently an audit committee meets reflects how committed it is to resolve any immediate problems and to present a better review and monitoring situation. As a result, these will make it simpler to find financial statement problems. The *Egypt Code of Corporate Governance (2005)* emphasized the significance of diligence when it was suggested that audit committees should meet on a regular basis, preferably quarterly. There should be a clear agenda for the meeting. Numerous studies have looked into the relationship between the audit committee meetings and firm value. However, the thorough research has only produced inconsistent findings: Ashari and Krismiaji (2020) examined the effect of audit committee characteristics (independence, size and frequency of meetings) on the financial performance of manufacturing firms listed on the Indonesian Stock Exchange for the year of 2016 and 2017. The results showed that audit committee independence, the audit committee size, and the number of audit committee meetings positively affect company's financial performance. Mohammed (2018) found that the number of meetings had a positive and significant impact on the performance of 74 non-financial companies listed on the Jordanian stock exchange during the period from 2010 to 2016. Shrivastav (2022) examined the impact of audit committee characteristics on firm performance in 133 Indian companies listed on the National Stock Exchange (NSE) over five years from 2016 to 2020. The result showed that the number of meetings has a positive and significant impact on firm performance. On the other hand, Al-Matari et al. (2012) investigated the relation between audit committee characteristics and the performance of the Saudi companies listed in the Saudi stock exchange (TAD-AWL) in 2010, excluding financial companies. The results show that Audit Committee Independence and audit committee meeting have insignificant effect on firm performance. According to Alqatamin (2018), the number of meetings has an insignificant impact on the performance of non-financial Jordanian listed firms. Al-Matari et al. (2014) found that for Omani firms, the number of meetings has insignificant effect on corporate performance.

Based on the previous discussion, this study proposes the following hypothesis:

H1: There is a significant positive relationship between audit committee meetings and firm value.

2.4.2. Audit Committee Gender and Firm Value

By including female board members on the audit committee, the board's monitoring efforts are strengthened and diversity is increased (Adams & Ferreira, 2009). According to Green & Homroy (2018), Gender diversity on boards creates strong corporate structures that improve company performance. Numerous studies have looked into the relationship between the audit committee gender and firm value. However, the thorough research has only produced inconsistent findings: Amin et al. (2021) examined the relationship between a female presence in corporate governance and firm performance, using a sample of nonfinancial firms on the Pakistan Stock Exchange during the period 2008-2019. The results found that a higher proportion of women on the board increase firm performance. According to the study, having more women on boards and on corporate committees such as the audit committee enhances oversight and motivates management to focus on performance and value. According to Campbell & Mínguez-Vera (2008), Gender Diversity in the Boardroom and Firm Financial Performance. J (2008), having women on the boards of Spanish companies increases the value of the company. Darmadi (2013) examined the relationship between gender diversity on the management board and the financial performance of Indonesian listed companies. The data only cover one single financial year (2007). This study used a sample comprising 92.4 percent of public firms listed on the Indonesia Stock Exchange (IDX). The dependent variable was firm performance, measured by return on assets (ROA) and Tobin's q. The study found that the proportion of female board members has a negative influence on firm value. Alqatamin (2018) found that gender diversity of the audit committee has a significant positive impact on the performance of 165 non-financial companies listed on the Amman Stock Exchange. Rose (2007) used a sample of listed Danish firms during the period of 1998-2001 in a cross sectional analysis. The study found there is no relationship between the proportion of females on the board and firm performance.

Based on the previous discussion, this study proposes the following hypothesis:

H2: There is a significant positive relationship between the existence of women in the audit committee and firm value.

2.4.3. Audit Committee Size and Firm Value

The number of members on the audit committee, or the committee's size, indicates the Resources that are available to it. According to Mohammad-Nor et al. (2010) given that a larger committee will improve the resources that are available to it and result in better monitoring, it is likely that potential issues with the financial reporting process will be identified and fixed. In Egypt, the Egypt Code of Corporate Governance (2005) has recommended that a minimum of three non-executive board members must be on the audit committee. Numerous studies

have looked into the relationship between the audit committee size and firm value. However, the thorough research has only produced inconsistent findings: According to Bouaziz (2012) examined the effect of audit committee characteristics on the financial performance of Tunisian companies. Used a sample of 26 Tunisian companies listed on the Tunis Stock Exchange during the period 2007-2010. The results showed that the size, independence and expertise of the audit committee have a significant effect on financial performance. On the other hand, Bazhair (2022) investigated the effect of audit committee on the financial performance of Saudi non-financial firms. The data included 100 Saudi non-financial listed companies from 2010 to 2019. The results found that audit committee size and meetings negatively impact firm performance. However, audit committee independence and financial expertise indicate a strong and positive relationship with financial performance. Sarker and Hossain (2024) examined the impact of corporate governance practices on enhancing firm value in manufacturing industries in Bangladesh. Using a sample of 131 companies from 10 manufacturing industries listed in Dhaka stock exchange (DSE). Using the multiple regression method, the study analyzed 1193 firm-year observations from 2012 to 2021. The results showed that audit committee size has no significant influence on firm value. Al-Matari et al. (2014) examined the effect of audit committee characteristics on Firm Performance in Oman. The data included 162 non-financial companies. The results showed that there is a positive but insignificant relationship between audit committee size and firm performance (Tobin's Q). The study also found that there is a significantly positive relationship between audit committee independence and Tobin's Q.

Based on the previous discussion, this study proposes the following hypothesis:

H3: There is a significant positive relationship between Audit Committee size and firm value.

2.4.4. Audit Committee Independence and Firm Value

Monitoring the management is one of the audit committee's duties. To fully receive the benefits of the audit committee's establishment, its members should be independent of corporate influence. According to their level of independence from corporate management, the audit committee can be said to be independent (Bruynseels & Cardinaels, 2014). The Egyptian Code of Corporate Governance, (2016) states that the members of the audit committee must be independent and non-executive members of the board of directors or outsiders to the firm. The independence of directors' diligence is significant in producing higher-quality financial statements that will end up creating real economic value and profitability for the companies (Kapoor & Goel, 2019; Salehi et al., 2018). Numerous studies have looked into the relationship between the audit committee independence and firm value. However, the thorough research has only produced inconsistent findings: Oradi et al. (2017) investigated the relation between audit committee characteristics (financial expertise, independence, and size) and the performance of companies listed on the Tehran Stock Exchange. The data included 132 compa-

nies from 2012 to 2014. They found a positive and significant relationship between audit committee financial expertise and firm performance, based on Tobin's Q and ROA. Also, a positive and significant relationship was observed between audit committee independence and firm performance, based on ROA. Nonetheless, there was no significant relationship between audit committee independence and firm performance, based on Tobin's Q. Moreover, the results found no significant relationship between audit committee size and firm performance, based on Tobin's Q and ROA. Robin and Amran (2016) examined the relationship between audit committee characteristics and family firm's performance in Indonesia. Used a sample of 122 family companies listed on Indonesia Stock Exchange during the period 2010-2014. The results showed that the audit committee independent has a negative relationship with firm performance. The study also found that the size of the audit committee has a positive relationship with firm performance. Ifeoma & Evelyn (2018) investigated the effect of audit committee characteristics on performance of selected non-financial firms in Nigerian Stock Exchange. The data included 50 listed firms from 2007 to 2016. The study found there is a significant positive relationship between audit committee independence, audit committee meeting and firm performance. On the other hand, Bansal and Sharma (2016) investigated the role of audit committee characteristics (independence and frequency of meetings) in improving firm performance in India. Used a sample of 235 non-financial public limited companies listed in National Stock Exchange (NSE) 500 between 2004 and 2013. The study found that audit committee independence and its meeting frequency did not affect firm performance.

Based on the previous discussion, this study proposes the following hypothesis:

H4: There is a significant positive relationship between audit committee independence and firm value.

2.4.5. Audit Committee Expertise and Firm Value

An important characteristic of the audit committee is that at least one member must have experience in finance or accounting. This is essential so that the audit committee member can evaluate the firms' financial data. According to the Egypt Code of Corporate Governance (2016), an audit committee must be established that is made up of at least three nonexecutive board members. It should have at least one person with experience in accounting and finance. The financial knowledge of audit committee members is a significant indicator of the success of the committee. According to Giacomino et al. (2009) Experience alone may be insufficient to establish financial expertise. Become a financial expert requires both experience and education. Numerous studies have looked into the relationship between the audit committee expertise and firm value. However, the thorough research has only produced inconsistent findings: Dakhallh et al. (2020) investigated the effect of the audit committee (size, independence, financial expertise, and stock owned by audit committee) on firm performance measured by Tobin's Q among Jordanian companies. The data included 180 firms from the financial, industrial and service companies listed on Amman Stock Exchange (ASE) be-

tween 2009 and 2017. The study discovered that the size of the audit committee, the independence of the audit committee, and the financial expertise of the audit committee have a positive and significant relationship with firm performance. A study of 350 Financial Times Stock Exchange companies listed on the London Stock Exchange between 2005 and 2013 found a positive and significant relationship between the performance of non-family firms and the audit committee's experience while there is insignificantly relationship between the audit committee experience and financial performance in family firms (Al-Okaily & Naueihed, 2020). Alqatamin (2018) examined the effect of audit committee characteristics (size, independence, gender diversity, experience, and frequency of meetings) on firm performance. Used a sample of 165 non-financial companies listed on the Amman Stock Exchange during the period 2014-2016. The results showed an insignificant relationship between the financial expertise of the audit committee and successful outcomes among Jordanian non-financial enterprises. The results also found that the size, independence, and gender diversity of the audit committee have a significant impact on company performance.

Based on the previous discussion, this study proposes the following hypothesis:

H5: There is a significant positive relationship between Audit committee expertise and firm value.

3. Research Methodology

3.1. Data collection and sample selection

In this study, the sampling comprises of the top 100 Egyptian companies (EGX 100) listed in the Egyptian Exchange (EGX) for the period of eight years from 2012 till 2019. This study targeted firms from 15 different sectors. Due to their unique and varied corporate governance and disclosure standards, financial institutions are excluded from this study due to the nature of their financial statements. However, all non-financial institutions from all industries are included. This study includes listed Egyptian companies that provided full information for the period from 2012 to 2019. A final sample of 80 Egyptian companies was selected over eight years based on data availability (Table 1). This paper focuses on and uses secondary data, represented numerically using the reports collected from Egyptian companies listed in the Egyptian Exchange (EGX) for the period of eight years from 2012 till 2019. The data collected from the official website of the Egyptian stock market to get the data required for the research variables. Corporate governance data will be collected manually. And also collected from "Egypt for Information Dissemination Company" (EGID) in order to complete a balanced panel data set and avoid any survivorship bias. The top 100 Egyptian listed companies are specifically chosen due to the data availability and reliability in contrast to non-listed companies.

3.2. Variables and Measurement

3.2.1. Dependent Variable

The firm value in the Egyptian market serves as the dependent variable in the

Table 1. Sector classification of the sample firms.

#	Sector	Number of the sample firms
1.	Food & Beverages	14
2.	Industrial Goods , Services and Automobiles	3
3.	Textile & Durables	5
4.	IT , Media & Communication Services	3
5.	Trade & Distributors	1
6.	Shipping & Transportation Services	4
7.	Building Materials	8
8.	Travel & Leisure	3
9.	Contracting & Construction Engineering	5
10.	Paper & Packaging	3
11.	Energy & Support Services	2
12.	Utilities	1
13.	Real Estate	12
14.	Health Care & Pharmaceuticals	3
15.	Basic Resources	13
	Total	80

current study. It will be evaluated using Tobin's Q (TQ). The goal of the firm is to maximize its wealth or worth. This study uses Tobin's Q to analyze the value of the firm using the stock price technique. According to [Weston & Copelan \(2008\)](#), the method for determining a firm's value using Tobin's Q ratio compares the market value of a publicly traded company with the value of replacing the company's assets. Consistent with previous studies, such as [Haniffa & Hudaib \(2006\)](#); [Henry \(2008\)](#); [Wang and Huang \(2014\)](#); [Kao et al. \(2019\)](#); [Dakhlallah et al. \(2020\)](#) Tobin's Q (TQ) will be measured as the market value of equity and book value of total debts divided by book value of total assets.

3.2.2. Independent Variables

To evaluate the audit committee characteristics, the research chooses Audit Committee independence, Audit Committee size, the frequency of Audit Committee meetings, Audit Committee expertise, and Audit committee gender as independent variables. [Figure 1](#) presents the effect of Audit Committee characteristics on Firm value.

3.2.3. Control Variables

This study considers several control variables. These are Firm Size, Board Size, Board Meetings, Board Independence, Big 4, Block holder ownership, Managerial ownership, Firm leverage, and Firm growth. [Table 2](#) presents a summary of all the variables chosen for the study.

Table 2. Summary of all the variables chosen for the study.

Variables	Measures	Representative studies
<u>Dependent variable: Firm Value</u>		
Tobin's Q (TQ)	The market value of equity + the book value of the company's debt / the book value of all the company's assets.	Kumar and Singh (2013); Wang and Huang (2014); Kao et al. (2019); Dakhallh et al. (2020)
<u>Independent variables: Audit Committee characteristics</u>		
Audit Committee Meetings (ACMT)	Number of meetings of audit committees per year.	
Audit Committee Gender (ACG)	The percentage of female members in audit committee.	
Audit Committee Size (ACSize)	It is a total number of audit committee Members	Aldamen et al. (2012); Li et al. (2012); Al-Matari et al. (2014); Abdullahi & Yunusa (2016); Meah et al. (2021); Bazhair (2022).
Audit Committee Independence (ACIND)	The percentage of number of independent director over the total number of directors in the audit committee	
Audit Committee Member's Expertise (ACEXP)	The percentage of members with accounting or financial expertise on the audit committee.	
<u>Control variables:</u>		
Firm size (Size)	The natural log of total assets	Reddy et al. (2010); Wang and Huang (2014); Al-Matari et al. (2014); Alabdullah (2018); Aggarwal et al. (2019); Kao et al. (2019); Boshnak (2021); Khan et al. (2021)
Board Size (BDS)	The total number of directors on a company's board.	Beasley and Salterio (2001); Reddy et al. (2010); Al-Najjar (2011); Aggarwal et al. (2019); Kao et al. (2019). Meah et al. (2021); Kanakriyah (2021); Kiptoo et al. (2021); Ogabo et al. (2021)
Board Meetings (BDM)	The number of board meetings each year.	Al-Najjar (2011); Kumar and Singh (2013); Aggarwal et al. (2019); Meah et al. (2021); Kanakriyah (2021)
Board Independence (BDI)	The percentage of independent directors to all directors.	Reddy et al. (2010); Al-Najjar (2011); Dakhallh et al. (2019); Meah et al. (2021); Kanakriyah (2021); Kiptoo et al. (2021)
Block holder ownership (BOWN)	The proportion of outstanding shares held by the largest shareholder owning at least 5% of the outstanding shares in a corporation.	Allam (2018); Dakhallh et al. (2019); Kao et al. (2019)
Managerial ownership (MOWN)	The proportion of shares held by all members of the board of directors divided by total ordinary shares outstanding.	Al-Matari & Al-Arussi (2016); Alabdullah (2018); Kanakriyah (2021); Ogabo et al. (2021).
Big 4	An indicator variable equal to "1" if the auditor is a Big-4 firm (Price water house Coopers, Deloitte & Touche, Ernst & Young and KPMG), and "0" otherwise.	Kao et al. (2019); Boshnak (2021); Khan et al. (2021); Meah et al. (2021)
Firm Leverage (LEV)	Total debts divide by Total Assets	Beasley and Salterio (2001); Weir et al. (2002); Al-Najjar (2011); Al-Matari & Al-Arussi (2016); Reddy et al. (2010); Kao et al. (2019); Boshnak (2021)
Firm growth (Growth)	The difference between current year sales and previous year sales.	Kao et al. (2019); Solikhaha & Jariyah (2020)

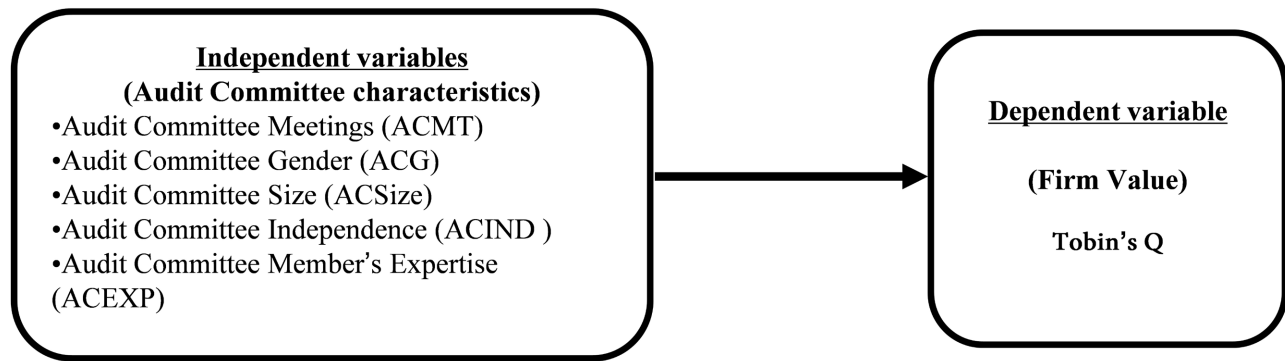


Figure 1. Relationship diagram between independent variables and dependent variable.

3.3. Research Model

A multiple regression model will be used in this study to examine the relationship between the variables. It helps to understand how the typical value of the dependent variable is changed when one of the independent variables change, while other variables are kept constant. It determines the overall relevance (variance explained) of the model and the relative contribution of each of the predictors to the total difference explained (Cohen et al., 2003). In order to respond to the research hypotheses using the Generalized Least Squares (GLS) regression was used. Generalized Least Squares regression was used as a substitute of OLS, when the data collected are secondary data, this happened when the research variables are not normally distributed. The Statistical package of E-Views-Version 10 program will be to generate the result from the data. To examine the effect of Audit Committee characteristics on Firm value, this study estimate using the following model:

$$TQ_{it} = \beta_0 + \beta_1 ACSIZE_{it} + \beta_2 ACIND_{it} + \beta_3 ACEXP_{it} + \beta_4 ACMT_{it} + \beta_5 ACG_{it} + \beta_6 Size_{it} + \beta_7 BIG4_{it} + \beta_8 BOWN_{it} + \beta_9 MOWN_{it} + \beta_{10} BDS_{it} + \beta_{11} BDM_{it} + \beta_{12} BDI_{it} + \beta_{13} LEV_{it} + \beta_{14} Growth_{it} + \varepsilon_{it} \quad (1)$$

Where:

- TQ_{it} = Tobin's Q proxy by Firm Value of company *i* in year *t*
- AC SIZE_{it} = Audit Committee Size of firm *i* in year *t*
- AC IND_{it} = Audit Committee Independence of firm *i* in year *t*
- AC EXP_{it} = Audit Committee Member's Expertise of firm *i* in year *t*
- AC MT_{it} = Audit Committee Meetings of firm *i* in year *t*
- ACG_{it} = Audit Committee Gender of firm *i* in year *t*
- Size_{it} = Firm size of firm *i* in year *t*
- BIG4_{it} = the auditor is a Big-4 firm
- BOWN_{it} = Block holder ownership of firm *i* in year *t*
- MOWN_{it} = Managerial ownership of firm *i* in year *t*
- BDS_{it} = Board Size of company *i* in year *t*
- BDM_{it} = Board Meetings of company *i* in year *t*
- BDI_{it} = Board Independence of company *i* in year *t*
- LEV_{it} = Firm Leverage of firm *i* in year *t*

$Growth_{it}$ = Firm growth of company i in year t ;

ε_{it} = Model error of firm i in year t .

4. Findings and Analysis

4.1. Descriptive Analysis

By providing brief summaries of samples and data measurement methods, descriptive statistics is a technique that explains and provides a clear knowledge of the characteristics of a particular data collection. **Table 3** illustrates the descriptive analysis for the research variables using the Mean, Minimum, Maximum and Standard Deviation for the research variables.

Table 3. Descriptive analysis for the research variables.

	Mean	Median	Maximum	Minimum	Std. Dev.
Audit Committee Meetings	5.483929	4.000000	48.000000	1.000000	5.024066
Audit Committee Expertise	0.795083	0.750000	1.333333	0.333333	0.197816
Audit Committee Size	3.498214	3.000000	8.000000	2.000000	0.909105
Audit Committee Gender	0.179589	0.187500	0.500000	0.000000	0.133619
Audit Committee Independence	0.776986	1.000000	1.333333	0.000000	0.269949
Firm Value	2.381660	1.113909	277.0835	0.272811	12.10260
Firm Size	6.103022	6.085727	8.016537	4.365132	0.773201
Board Size	8.421429	8.000000	17.000000	3.000000	2.788471
Board Meetings	9.182143	8.000000	22.000000	2.000000	4.336355
Board Independence	0.477097	0.454545	1.000000	0.000000	0.207556
Block Holder Ownership	0.613578	0.645100	0.989500	0.027000	0.216665
Managerial Ownership	0.099352	0.003526	0.767000	0.000000	0.180803
Firm Leverage	0.506068	0.431951	7.188948	0.001260	0.515911
Firm Growth	1.226174	0.087317	525.1668	-1.000000	22.21522

The mean value of Audit Committee Meetings is found to be 5.483929 with a standard deviation of 5.024066 with minimum and maximum values of 1.000000 and 48.000000 respectively. The mean value of Audit Committee Expertise is found to be 0.795083 with a standard deviation of 0.197816, with minimum and maximum values of 0.333333 and 1.333333 respectively. In addition, the mean value of Audit Committee Size is found to be 3.498214 with a standard deviation of 0.909105, with minimum and maximum values of 2.000000 and 8.000000 respectively. Moreover, the mean value of Audit Committee Gender is found to be 0.179589 with a standard deviation of 0.133619 with minimum and maximum values of 0.000000 and 0.500000 respectively. In addition, the mean value of Audit Committee Independence is found to be 0.776986 with a stand-

ard deviation of 0.269949 with minimum and maximum values of 0.000000 and 1.333333 respectively. The average firm value is discovered to be 2.381660 with a standard deviation of 12.10260, with minimum and maximum values of 0.272811 and 277.0835 respectively. In addition, Firm Size is found to have a mean value of 6.103022 with a standard deviation of 0.773201 with minimum and maximum values of 4.365132 and 8.016537 respectively. Board Sizes average value is discovered to be 8.421429 with a standard deviation of 2.788471, with minimum and maximum values of 3.000000 and 17.000000 respectively. In addition, the average number of board meetings is 9.182143 with a standard deviation of 4.336355 with minimum and maximum values of 2.000000 and 22.000000 respectively. Moreover, Board independence is determined to have a mean value 0.477097 with a standard deviation of 0.207556 with minimum and maximum values of 0.000000 and 1.000000. The mean value of Block Holder Ownership is found to be 0.613578 with a standard deviation of 0.216665 with minimum and maximum values of 0.027000 and 0.989500 respectively. Moreover, the mean value of Managerial Ownership is found to be 0.099352 with a standard deviation of 0.180803 with minimum and maximum values of 0.000000 and 0.767000. The average firm leverage is discovered to be 0.506068 with a standard deviation of 0.515911, with minimum and maximum values of 0.001260 and 7.188948 respectively. In addition, the average Firm Growth is discovered to be 1.226174 with a standard deviation of 22.21522 with minimum and maximum values of -1.000000 and 525.1668 respectively.

4.2. Testing Multicollinearity

By testing VIFs, it could be observed from **Table 4** that the VIFs of the Research Variables are less than 5, implying that there is no problem of multicollinearity between the independent variables.

Table 4. VIF values for research variables.

Independent Variables	Audit Committee Expertise	Audit Committee Meetings	Audit Committee Independence	Audit Committee Size	Audit Committee Gender
VIF	1.142	1.031	1.233	1.168	1.274

4.3. GLS Regression

In this part, an equation for the effect of Audit Committee Characteristics on Firm Value with the existence of Control Variables is derived using the GLS regression technique. The GLS simple regression equation is used to create the first equation for the effect of the audit committee on firm value with control variables, which is illustrated in **Table 5**. When the relationship between the Audit Committee and Firm Value is tested using control variables, this equation gives a result. Given that the related P-value is 0.0000 ($P\text{value} < 0.05$), it can be seen that the relationship between firm size and firm value is significantly negative. Audit Committee Size, Audit Committee Independence, Audit Committee Expertise, Audit Com-

mittee Gender, Big 4, Block Holder Ownership, Board Size, Board Independence, and Firm Leverage all have a significant positive impact on firm value, and their corresponding *P*-values are 0.0000, 0.0019, 0.0070, 0.0000, 0.0130, 0.0000, 0.0000, 0.0000 and 0.0000 respectively (*P*-value < 0.05). Moreover, the effects of meetings of the audit committee, managerial ownership, board meetings, and firm growth on firm value are insignificant, as indicated by the corresponding *P*-values of 0.1866, 0.0839, 0.3246, and 0.7570 (*P*-value > 0.05). Also, R-squared is 0.372274, which means that 37.2274% of the variation in Firm Value is explained by the Audit Committee with the presence of control variables. The estimation of the regression equation is as follows:

$$\text{Firm Value} = 0.274794 + 0.302267 * \text{Audit Committee Size} + 0.428235 \text{ Audit Committee Independence} + 0.010270 \text{ Audit Committee Meetings} + 0.489325 \text{ Audit Committee Expertise} + 1.656811 \text{ Audit Committee Gender} - 0.305680 \text{ Firm Size} + 0.122583 \text{ Big 4} + 0.840264 \text{ Block Holder Ownership} + 0.387033 \text{ Managerial Ownership} + 0.068333 \text{ Board Size} + 0.175287 \text{ Board Meetings} + 0.066868 \text{ Board Independence} + 1.048816 \text{ Firm Leverage} - 0.000519 \text{ Firm Growth}$$

Table 5. GLS pooled regression.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.274794	0.397023	0.692135	0.4891
Audit Committee Size	0.302267	0.056101	5.387917	0.0000
Audit Committee Independence	0.428235	0.137174	3.121847	0.0019
Audit Committee Meetings	0.010270	0.007767	1.322194	0.1866
Audit Committee Expertise	0.489325	0.180806	2.706357	0.0070
Audit Committee Gender	1.656811	0.273433	6.059302	0.0000
Firm Size	-0.305680	0.046320	-6.599305	0.0000
Big 4	0.122583	0.049189	2.492065	0.0130
Block Holder Ownership	0.840264	0.152685	5.503256	0.0000
Managerial Ownership	0.387033	0.223591	1.730988	0.0839
Board Size	0.068333	0.011901	5.741847	0.0000
Board Meetings	0.175287	0.177812	0.985803	0.3246
Board Independence	0.066868	0.010575	6.323510	0.0000
Firm Leverage	1.048816	0.117673	8.912946	0.0000
Firm Growth	-0.000519	0.001678	-0.309508	0.7570
R-squared	0.372274			
Adjusted R-squared	0.358168			
F-statistic	26.39084			
Prob (F-statistic)	0.000000			

According to the regression results, there is a positive but insignificant relationship between Audit Committee Meetings and Firm Value (Tobin's Q) (P -value = 0.1866, $P > 0.05$). Therefore, hypothesis H1 is not supported. The findings also indicate that there is a positive and significant relationship between the gender of the audit committee and the firm value (P -value = 0.0000, $P < 0.05$). Therefore, hypothesis H2 is supported. The findings also demonstrate a significant positive relationship between the size of the audit committee and the firm value (P -value = 0.0000, $P < 0.05$). Therefore, hypothesis H3 is supported. Audit Committee Independence and Firm Value are positively and significantly correlated (P -value = 0.0019, $P < 0.05$). The conclusion drawn from this finding is that there is a significant positive relationship between audit committee independence and firm value. Therefore, hypothesis H4 is supported. Additionally, there is a positive and significant relationship between audit committee expertise and firm value (P -value = 0.0070, $P < 0.05$). Therefore, hypothesis H5 is supported.

The fixed vs random effect of the audit committee on firm value in the existence of control variables can be determined using the GLS technique to determine if the influence of the audit committee on firm value is a result of different firms or of time. The P -value for the Hausman test is 0.2409 (P -value > 0.05) using the fixed vs random effect, as given in **Table 6**, indicating that the fixed effect, not the random effect, is the significant influence in the data under consideration. In other words, rather than having a cross-sectional effect, the impact of the Audit Committee on Firm Value when controlling for other variables is caused by time. Using fixed effect regression, The Audit Committee Gender, Firm Size, and Firm Leverage have a significant impact on Firm Value when controlling for other variables, given that the relevant P -value is 0.0171, 0.0000 and 0.0000 (P -value < 0.05). Although there is an insignificant impact of Audit Committee Size, Audit Committee Independence, Audit Committee Meetings, Audit Committee Expertise, Big 4, Block Holder Ownership, Managerial Ownership, Board Size, Board Meetings, Board Independence and Firm Growth on Firm Value with control variables when employing fixed effect, given that the relevant P -value is 0.1879, 0.1915, 0.9821, 0.2382, 0.5951, 0.4324, 0.5840, 0.8439, 0.3693, 0.8262 and 0.9480 (P -value > 0.05).

Additionally, considering random effect, the Board Independence has a significant impact on Firm Value when controlling for other variables, given that the relevant P -value is 0.0120 (P -value < 0.05). Although, considering random effect, the Audit Committee Size, Audit Committee Independence, Audit Committee Meetings, Audit Committee Expertise, Audit Committee Gender, Firm Size, Big 4, Block Holder Ownership, Managerial Ownership, Board Size, Board Meetings, Firm Leverage and Firm Growth have an insignificant impact on Firm Value, given that the relevant P -value is 0.5116, 0.1531, 0.3373, 0.9622, 0.1307, 0.5054, 0.9098, 0.2423, 0.8470, 0.8636, 0.2256, 0.5417 and 0.8200 (P -value > 0.05).

Table 6. Hausman test for fixed versus random effect of audit committee characteristics on firm value with control variables.

Variable	Fixed Effect		Random Effect		Hausman Test
	Coefficient	Prob.	Coefficient	Prob.	
C	13.98814	0.0000	-1.720459	0.7491	
Audit Committee Size	-0.142043	0.1879	0.404687	0.5116	
Audit Committee Independence	0.911042	0.1915	3.067846	0.1531	
Audit Committee Meetings	0.000753	0.9821	0.095213	0.3373	
Audit Committee Expertise	0.443875	0.2382	0.122538	0.9622	
Audit Committee Gender	4.341803	0.0171	6.716902	0.1307	0.2409
Firm Size	-1.852099	0.0000	-0.496461	0.5054	
Big 4	0.068893	0.5951	0.118394	0.9098	
Block Holder Ownership	-0.176154	0.4324	2.836656	0.2423	
Managerial Ownership	0.341254	0.5840	0.550328	0.8470	
Board Size	-0.013933	0.8439	0.036043	0.8636	
Board Meetings	-1.214702	0.3693	-3.001786	0.2256	
Board Independence	0.004869	0.8262	0.308809	0.0120	
Firm Leverage	0.991328	0.0000	0.587485	0.5417	
Firm Growth	-0.000194	0.9480	0.004926	0.8200	

5. Discussion

In this study, which covered the years 2012 to 2019, the effect of Audit Committee characteristics on Firm value was examined. Mixed conclusions are drawn from the empirical analyses. The GLS regression coefficients in [Table 5](#) show that there is insignificant positive correlation between audit committee meetings and firm value. Thus, hypothesis (H1) is not supported. This result is in line with a large number of other research that looked at the relationship between audit committee meetings and firm value ([Al-Matari et al., 2012](#)) They came to the conclusion that the relationship between audit committee meetings and business value is insignificant. This result is consistent with [Rebeiz and Salame's \(2006\)](#) statement that meeting quality—rather than merely quantity—is important for business performance. According to [Alqatamin \(2018\)](#), the number of meetings has an insignificant impact on the performance of non-financial Jordanian listed firms. Furthermore, [Al-Matari et al. \(2014\)](#) found that for Omani firms, the number of meetings has insignificant effect on corporate performance. On the other hand other studies found that this relationship is positive and statistically significant ([Mohammed, 2018](#); [Shrivastav, 2022](#)). Some studies have found that an audit committee that meets more frequently and is more active will be more effective at monitoring management than one that meets less frequently. Additionally, several researches found no relationship between the two variables ([Al-Matari et al., 2012](#); [Bansal & Sharma, 2016](#); [Naim et al., 2025](#)). According to hypothesis (H2), there is a strong

positive correlation between firm value and the number of women on the audit committee. In **Table 5**, The GLS regression results demonstrate a positive and significant relationship between Audit Committee Gender and Firm Value (P -value = 0.0000, $P < 0.05$). Thus, hypothesis (H2) is supported. According to **Ab-basi et al. (2020)**, the presence of female accounting experts on audit committees is positively associated with audit quality. They suggest that the quality of corporate auditing can be improved by having female accounting experts on audit committees. It can be concluded from previous studies that gender-diverse audit committees operate differently from audit committees made up exclusively of men. Having more women on audit committees probably enhances businesses' financial reporting and market performance. The ability of the company to function successfully is increased by the participation of women on the board, and a female presence is seen as a complement to the male director. **Ud Din et al. (2020)** found that the accounting expertise of female audit committee chairs improves the quality of financial reporting better than their male counterparts. In Addition, the accounting expertise of female audit committee chairs improves corporate governance mechanisms and internal control system (i.e., Control Environment, Control Activities, and information and communication). On the other hand, **Darmadi (2013)** found that the proportion of female board members has a negative influence on firm value. However, some researches (**Rose, 2007; Emengini et al., 2020**) failed to find any correlation. According to hypothesis (H3), there is a significant positive correlation between audit committee size and firm value. The GLS regression coefficients demonstrate positive and significant (P -value = 0.0000, $P < 0.05$) relationship on Firm Value. Thus, hypothesis H3 is supported. This result is in line with a number of other studies that looked at the relationship between the size of the audit committee and corporate value (**Dakhlallah et al., 2020; Shrivastav, 2022; Naim et al., 2025**), they came to the conclusion that the size of the audit committee and corporate value are positively and significantly correlated. Based on the results, it is determined that bigger audit committees are probably going to be considerably more active in overseeing and controlling business processes, hence adding value. Successfully, a larger audit committee offers a broad range of expertise, abilities, and information. This result is consistent with the resource dependence theory, which contends that the performance of the audit committee improves with increasing committee size. The audit committee is ineffective because of the lack of expertise and abilities among its fewer members. However, other studies discovered that this relationship is negative and statistically significant, such as the study by **Al-Matari et al. (2012)**. While other studies like **Al-Matari et al. (2014)** and **Oradi et al. (2017)** did not found any relationship between the two variables. These studies suggest that since audit committee size is not seen as a key component in enhancing the committee's effectiveness, the corporations focused on the audit committee efficacy rather than their numbers. The audit committee should be composed of independent, knowledgeable, and experienced members, and it should have enough power to function effectively.

According to hypothesis (H4), the audit committee's independence and firm value have a significant positive association. The GLS regression coefficients show that a positive and significant (P -value = 0.0000, $P < 0.05$) relationship on Firm Value. This finding implies that hypothesis H4 is supported. This result is in line with a large number of researches that looked at the relationship between audit committee independence and firm value (Al-Matari et al., 2014; Dakhllalh et al., 2020; Shrivastav, 2022), they came to the conclusion that the relationship between audit committee independence and firm value is both positive and significant. This suggests that throughout the time under consideration, the firm value significantly increased with every increase in the number of independent directors in the audit committee composition. This result is consistent with agency theory, which argues that expenses are reduced by independent boards and committees. When external parties do not limit the members' monitoring process, an audit committee has gained independence. The managers and auditors should not interfere with the monitoring duties of the audit committee members. This finding is consistent with the resource dependence theory, which contends that the Audit Committee's independence is crucial to guaranteeing the control of financial reporting, which results in greater performance for the business. Several investigations, including (Al-Matari et al., 2012; Bansal & Sharma, 2016; Oradi et al., 2017) discovered no correlation between the independence of the audit committee and corporate value. According to hypothesis (H5), there is a significant positive relationship between the expertise of the audit committee and corporate value. The GLS regression coefficients show that a positive and significant (P -value = 0.0070, $P < 0.05$).

Thus, hypothesis H5 is supported. This result is in line with the results of numerous other researches that looked at the relationship between audit committee experience and corporate value (Oradi et al., 2017; Dakhllalh et al., 2020). They came to the conclusion that the expertise of the audit committee and firm value are positively and significantly related. The findings lead to the conclusion that, in order to maximize company value, audit committee members of companies should have the necessary accounting and financial qualifications. In fact, it is asserted that having a strong understanding of the audit and financial reporting processes and resolving agency issues is made possible by expertise in accounting and finance. The majority of the audit committee's duties are therefore related to these fields; hence it is advisable to have members who are knowledgeable and skilled in accounting and auditing. In addition, accounting and finance professionals that sit on audit committees for businesses can help uncover financial reporting errors that lower firm value. This result is consistent with the resource dependence theory, which claims that the financial knowledge of the Audit Committee members is crucial to assuring the control of the financial reports, which improves corporate performance. However, other investigations failed to find a relationship between the two variables such as Alqatamin (2018).

Additionally, the regression results for the control variables indicate that the

Big 4, Block Holder Ownership, Board Size, Board Independence, and Firm Leverage all have a positive and significant impact on firm value. This result is inconsistent with the Stewardship theory, which supports a non-independent board because they are more reliable and better at improving performance. As a result, the findings of the present study are in line with the agency theory and not the stewardship theory. Additionally, according to resource dependence theory, the presence of nonexecutive directors may increase firm value since they can offer expert advice on future investments and strategies and can connect the company with other businesses, investors, and funding sources. The findings also demonstrate that Firm Size has a negative impact on Firm Value. However, the study discovered that during the study period, Managerial Ownership, Board Meetings, and Firm Growth had an insignificant impact on the Value of listed companies in Egypt.

6. Conclusion

This study examined the effect of audit committee characteristics on firm value. Five independent variables were discovered and used as proxies for audit committee characteristics, namely Audit Committee Size, Audit Committee Independence, Audit Committee Meetings, Audit Committee Expertise, and Audit Committee Gender. Tobin's Q was employed in this study as a measure of company value. The sample includes 80 Egyptian companies listed on the Egyptian Exchange (EGX). Using E-Views-Version 10's statistics program, the study includes eight fiscal years from 2012 to 2019. Because of their specialized nature and compliance to various regulations, tax, and accounting requirements than businesses in other industrial sectors, the banking and insurance sectors are excluded from this study.

For investors, the concept of firm value is crucial since it serves as a measure for how the market views the company as a whole. Each owner will demonstrate to potential investors why their business is a good choice for investment. The value of the company will influence an investor's choice to invest in the business. According to the regression results, the size, independence, expertise, and gender of the audit committee have a positive and significant impact on the firm value. The findings imply that having an audit committee within a company sends a strong signal to the market, which ultimately affects the increase in the firm's value. A significant and positive increase in the firm value gives shareholders and investors assurance that their investment would be successful.

The resource dependence theory agrees that there is a positive correlation between Audit Committee Independence and Firm Value. With the available autonomy, one has the freedom to make the best choice and may easily recognize and admit faults. The positive result suggests that adding more independent members to the audit committee increases corporate value. The findings also demonstrate the need for audit committee members to have the necessary financial and accounting qualifications in order to increase the firm's value. Expertise in accounting and finance allows for a comprehensive understanding of the audit and finan-

cial reporting procedures, which also reduces agency conflicts. The audit committee needs to be big enough to include people with various perspectives and backgrounds. A large audit committee is predicted to be able to help the company reduce external uncertainties and offer a wide range of knowledge and experience. Regular audit committee meetings could decrease agency issues and information asymmetry at a company because investors will always receive consistent information. Additionally, [Al Farooque et al. \(2020\)](#) discovered a strong and positive relationship between the performance of Thai enterprises and the frequency of audit committee meetings. However, the findings of this study indicated that there is no correlation between the frequency of meetings and firm value in Egypt. Due to their superior communication and better monitoring skills, which are more effective than those of their counterparts, the audit committee's effectiveness is increased by gender diversity, which also encourages openness and information sharing among committee members and helps to facilitate effective communication between auditors and management ([Gul et al., 2011](#); [Adams & Ferreira, 2009](#)). The findings confirm that having women on the audit committee sends a good message to the market, which ultimately affects the firm's value. According to [Amin et al. \(2021\)](#), a higher percentage of female board members improved the firm performance. The regression results for the control variables demonstrate a significant and positive impact of the Big 4, Block Holder Ownership, Board Size, Board Independence, and Firm Leverage on Firm Value. The findings also demonstrate that Firm Size has a negative impact on Firm Value. However, the study discovered that during the study period, Managerial Ownership, Board Meetings, and Firm Growth had an insignificant impact on the Value of listed companies in Egypt. [Khamis et al. \(2015\)](#) and [Saleh et al. \(2017\)](#) assert that block holders may limit management's deviation from shareholders' interests and strengthen the authority of shareholders over managers, hence increasing the firm's value and profitability. The findings of this study support by [Admati & Pfleiderer \(2009\)](#) and [Konijn et al. \(2011\)](#) showing that block holders do have a part in company governance. The role of the block holder is to improve the company in terms of value and performance. According to [John and Senbet \(1998\)](#) the board of directors is essentially seen as the major corporate governance structure and the primary way for shareholders to indirectly review management operations. The size of the board affects its ability to oversee top management; the bigger the board, the greater its ability to do so ([Abdullah, 2004](#)). Moreover, Independent boards can benefit businesses by keeping an eye on management decisions and the company's financial performance. According to the study's findings, independent boards greatly increase the company's value. In this regard, independent boards guarantee that the company's strategies are developed in line with the goals of the shareholders. As a result, they assist in reducing asset misuse by businesses and enhance financial results. According to [Ramadhan et al. \(2022\)](#) and [Correia and Lucena \(2020\)](#) as a part of the governance structure, the frequent meeting activity facilitates the transfer of knowledge and expertise for supervision and executive mon-

itoring and enhances communication. The frequency of board meetings is a key factor in improving the efficacy of the board, and there is a relationship between board meetings and financial performance of the company. However, the findings of this study indicated that there is insignificant relation between the number of board meetings and the market value of nonfinancial companies in Egypt. Ownership by the management will have the consequence of increasing responsibility, manager performance, and corporate value. The function of a company management is crucial in decision-making in order to raise profit and the stock price reflected in the value of the corporation. Management will work harder to advance the interests of shareholders, if their proportional stake is larger. But this study's findings revealed that Managerial Ownership is insignificantly correlated with firm value. This result is in line with a number of earlier researches that looked at the relationship between managerial ownership and firm value (Demsetz & Villalonga, 2001; Bayrakdaroglu, 2010). Firm leverage is one of the numerous variables that are thought to have an impact on the firm value. By assuming that future cash flows will be maintained, investors conclude that companies with high levels of leverage have promising future prospects. Because using a lot of debt will raise the firm's value, leverage needs to be managed. Companies will pay the interest on the loan, which can lower taxable income and benefit shareholders. Additionally, there is a negative correlation between firm value and size. This finding contrary to the signalling theory that holds that bigger companies indicate a company is progressing. The size of the big company shows stable conditions and a higher investor return rate, which can be positively responded by investors, leading to an increase in stock price and an increase in the company's value. The study's result is consistent with the results of numerous other researches that looked at the relationship between company size and value (Ibrahim, 2017; Al-Naimi & Kanakriyah, 2021; Ghani et al., 2023) this means that larger businesses require more monitoring, which results in increased expenditures for businesses. Additionally, as a company grows, management may lose influence over key strategic and operational choices, which could result in decreased efficiency. According to the study's findings, the international Big 4 auditors are greatly increasing the market value of their clients. Therefore, it is evident that the Big 4 international auditors have built a solid reputation, which shows that for local firms, leading ones attract more investor trust.

7. Recommendations

From the findings above, the study recommends the following:

Firstly, this study recommended that having accounting and finance specialists on the audit committee has a beneficial impact on the value of the company. As a result, this may encourage companies to add additional members with accounting and finance experience to their audit committees. In addition, the participation of financially knowledgeable audit committee members will contribute to reducing financial misreporting and improving quality control. Secondly, according to the

study the audit committee should include more independent members in order to raise the company's value and this is also supported by resource dependence theory. Because it divides the actions of executive managers from those of the committee, independence plays a constructive role in monitoring effectiveness. Moreover, increasing the number of independent members and members with financial expertise on the audit committee lowers the likelihood of financial misreporting and promotes a favorable view among investors. Thirdly, the study's findings offer empirical proof that the presence of women on the audit committee increases firm value. They are helpful for the development of gender literature in corporate decision making. Therefore, this study recommended that diversity should be taken into account when audit committees are formed in various companies.

Fourthly, having an audit committee strengthens the corporate governance system of the company and increases value. According to the study, larger audit committees could lead to better governance outcomes in the long run, stronger oversight, and more investor trust. Larger committees may be better able to supervise management operations, provide a variety of skills, and reduce agency issues, which may increase the value of the company. Therefore, increasing the number of audit committee members should be a top priority for boards of directors and shareholders in order to improve the quality of monitoring and bring in a variety of valuable skills. When an audit committee has the proper number of members, people can use their knowledge to help stakeholders. If the size falls within the practical range, it works better. Fifthly, according to the study, financial reports are of higher quality when there is a Big Four auditor present. Investors are more motivated to purchase their customers' stocks when they have faith in the auditors who provide high-quality service and a solid reputation. Due to the increased market response to the unexpected earnings of the big auditors' customers, it is now possible to enhance the market value of companies by providing high-quality auditing services. Additionally, larger companies have more resources and expertise to offer efficient corporate monitoring. Finally, one of the elements thought to influence a company's value is firm leverage. Leverage is a fundraising strategy that strongly matches a business' choice to finance a company. Increases in debt may be seen by outsiders as low company risk or the ability to meet future obligations. More loans will send a positive signal, but if they are not managed effectively, they may also send a negative signal. Companies that employ debt have a very high risk of not making their payments, so care must be taken while using debt to ensure that the business can turn a profit.

8. Suggestions for Future Studies and Limitations of the Research

The study examines the effect of Audit Committee Characteristics on Firm Value in Egypt for the period of eight years 2012-2019. Therefore, there is a need in future to replicate the study and cover the periods beyond 2019. In this study, control variables like (Firm Size, Big 4, Block holder ownership, Managerial ownership, Board Size, Board Meetings, Board Independence, Firm leverage and Firm

growth). Other variables that may affect firm value in Egyptian firms that were not investigated by this research may also have an impact. Future research should examine additional factors that could influence firm value. The characteristics of audit committees in other industries, such financial institutions, may require further study. The study's ability to include all of Egypt's business sectors is yet another limitation. Only non-financial listed companies were included. Therefore, as both financial listed firms and non-financial listed companies contribute to the economy, future research should explore this relationship.

Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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