Audit Characteristics and Firm Performance: Evidence from NSE-Listed Public Companies in India

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Abstract

Over the last two decades, the regulators' attention on governance apparatus, precisely audit characteristics, has become a significant agenda that makes any business better prepared to deal with different challenges and respond effectively. With insights from a wide range of research in this area, this study used a multistage technique approach to collect data and explore the influence of audit characteristics on firm performance of high-profile 40 units with 200 firm-year observations for the period from 2018 to 2022 in NSE-listed public companies in India. The empirical findings revealed that though the audit committee has a positive influence on firm performance when measured with an accounting-based dimension, it failed to show any positive effect when measured with a market-based measurement of Tobin's Q. Audit independence has no statistically significant relationship with firm performance in the accounting-based or market-based dimension. The paper further provides that fit size, leverage, and firm age negatively affect firm performance in the accounting-based or market-based measure. Firm growth has a positive significant relationship with market-based measure firm performance, and research and development has a negative sign with market-based measure firm performance. The findings also highlighted that many firms that adhered to the sound standard of governance drivers are less risky and have higher financial growth with increased firm value. Thus, the above findings are robust and imply that firms must prepare the groundwork and adhere to strong corporate governance policies to achieve world-class market and financial performance.

Key Words

Audit characteristics, Firm performance, Tobin's Q, Return on asset, Return on capital employed

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