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The Influence of Audit committee structure on Leverage: Empirical Evidence from Oman

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Abstract: *Corporate Governance is an essential mechanism to minimize the conflicts between different stakeholders. The audit committee works as a controlling and monitoring mechanism in the corporate governance on management activities. This paper explores the extant literature in order to establish a linkage between audit committee characteristics and capital structure. The three proxies of audit committee (AC) characteristics are AC meeting frequency, AC size, and AC independence, while the debt to asset ratio will be used to determine the company leverage. The study is conducted on non-financial companies listed in the Oman stock market. 291 firm-year observations were used in this study which covers the data from 2016 to 2019. Oman holds a very important position and strategic location among the Middle East countries. The objective of this study is to test the association between audit committee effectiveness and company leverage. The result of the study indicates a significant association between audit committee meeting frequency and audit committee size with leverage. However, no association has been found between audit committee independence and leverage. The result of the study could suggests to the regulatory bodies and decision-makers that strong corporate governance practices may help the firms to keep balance in capital structure. The high proportion of leverage in capital structure may threaten the firms to bankruptcy. Thus, this provides a clear picture how the corporate governance system works to lower the leverage.*

Keywords: AC Size, AC Meeting Frequency, AC Independence, Leverage