

Audit Committee Busyness and Meetings as Determinants of Earnings Management and Firm Performance: Evidence from an Emerging Market

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Abstract

This study examines the impact of audit committee meeting frequency and director busyness on the financial performance of Iraqi non-financial listed firms, with earnings management incorporated as a mediating variable. The analysis is based on a balanced panel of 35 firms listed on the Iraq Stock Exchange from 2011 to 2023. To address issues of endogeneity, heterogeneity, and simultaneity, the study employs the two-step system Generalised Method of Moments (GMM) estimator. The findings reveal that frequent audit committee meetings reduce accounting-based performance (ROA and ROE) but enhance market valuation (Tobin's Q), while director busyness negatively affects accounting outcomes without influencing market value. Earnings management decreases when meetings are more frequent, yet it undermines long-term performance and partially mediates the relationship between audit committee characteristics and financial performance. Overall, this study contributes to the corporate governance literature in emerging markets by providing novel evidence on how audit committee structures shape earnings quality and firm outcomes. The results highlight important implications for regulators and policymakers, stressing the need to balance committee workloads and promote effective meeting practices to curb earnings manipulation and foster sustainable corporate performance in Iraq.

Keywords: Audit Committee, Busyness, Meetings, Earnings Management, Financial Performance

Introduction

Corporate governance has increasingly become a focal point in both academic research and regulatory discourse, particularly in emerging markets where institutional structures remain

under development. Within this framework, the audit committee is widely recognized as a cornerstone of effective monitoring, designed to protect shareholders' interests and safeguard the credibility of financial reporting. However, the effectiveness of audit committees is not determined solely by their existence but rather by the specific characteristics of their members and the way they function. Two particularly salient attributes in this regard are the busyness of audit committee members and the frequency of audit committee meetings.

Drawing on Agency Theory (Jensen & Meckling, 1976), audit committees are expected to mitigate conflicts of interest between managers and shareholders by enhancing oversight and reducing information asymmetry. Nevertheless, when committee members are excessively busy with multiple board appointments or external commitments, their monitoring effectiveness may be compromised, leading to insufficient attention to financial reporting quality (Alsheikh and Alsheikh, 2023). Similarly, the frequency of audit committee meetings is a double-edged sword: while more frequent meetings may enhance vigilance and reduce opportunities for opportunistic earnings management, they may also signal underlying governance problems or managerial resistance, thereby exerting complex effects on firm outcomes (Al-ahdal and Hashim, 2022).

From the perspective of Resource Dependence Theory (Pfeffer & Salancik, 1978), frequent meetings can provide firms with access to more information, knowledge-sharing, and problem-solving capabilities, ultimately strengthening decision-making and oversight (Altin, 2024). Conversely, busyness may diminish the resource availability and effectiveness of audit committee members, limiting their ability to challenge managerial discretion (Saleh and Mansour, 2024). In this way, both characteristics influence not only the likelihood and extent of earnings management but also the overall financial performance of the firm.

Despite the extensive international literature on audit committees, empirical evidence from Iraq remains scarce. The Iraqi market provides a unique context characterized by transitional regulatory frameworks, high ownership concentration, and relatively weak enforcement of corporate governance codes. These conditions magnify the importance of understanding how audit committee characteristics, particularly busyness and meeting frequency, affect earnings management and firm performance in such an environment.

Methodologically, the present study departs from much of the prior research that has relied on conventional econometric approaches such as pooled OLS or fixed effects models. Such methods are often ill-suited to address problems of endogeneity, simultaneity, and unobserved heterogeneity, which are common in governance performance studies. To overcome these limitations, this research employs the two-step System Generalised Method of Moments (System-GMM) estimator. By exploiting internal instruments, this advanced technique provides more reliable and consistent estimates of dynamic relationships. Furthermore, unlike many governance studies that rely on perception-based surveys or questionnaires, this study uses real financial and governance data drawn from the annual reports of non-financial firms listed on the Iraq Stock Exchange, thereby ensuring greater validity and relevance of the findings.

In doing so, this study makes both a theoretical and methodological contribution. Theoretically, it enriches the understanding of how audit committee busyness and meeting frequency shape earnings management and financial outcomes, guided by the lenses of agency theory and resource dependence theory. Methodologically, it introduces the two-step System-GMM into the Iraqi context, where its application has been largely absent, thus offering a more robust approach to capturing the dynamics of governance mechanisms and firm performance.

Theoretical Framework and Literature Review

Literature Review

Audit Committee Characteristics and Financial Performance

This study draws primarily on agency theory and resource dependence theory to explain the relationship between audit committee (AC) characteristics, specifically, members' busyness and meeting frequency, and firms' financial performance.

According to Agency Theory (Jensen & Meckling, 1976), conflicts of interest often arise between managers (agents) and shareholders (principals), as managers may pursue personal objectives at the expense of shareholders' wealth (Bhatt and Bhattacharya, 2017; Rochmah Ika and Mohd Ghazali, 2012). Consequently, strong governance mechanisms such as audit committees are essential to protect shareholders' interests and ensure the credibility of financial reporting (Habbash et al., 2013). However, when AC members are overly busy, holding multiple board or committee positions, their ability to exercise effective monitoring may be impaired due to time constraints and divided attention, an argument widely referred to as the busyness hypothesis (Ghafran et al., 2022). Prior evidence suggests that excessive directorships among AC members weaken monitoring quality and lead to inferior financial outcomes (Rickling Rinker, 2014). In contrast, a higher meeting frequency is consistent with agency theory's premise of enhanced monitoring, as regular meetings enable closer oversight of managerial activities, more thorough discussions, and timely review of financial reports, which can deter opportunistic behaviors and improve firm performance (Kamaludin et al., 2023).

Conversely, Resource Dependence Theory (Pfeffer & Salancik, 1978) posits that organizational effectiveness is strengthened by the availability of external linkages and access to valuable resources. Under this view, audit committees serve as conduits of expertise, experience, and professional networks that enhance decision-making quality and strategic oversight. Hence, members with multiple directorships can bring broader perspectives, industry knowledge, and reputational capital that positively influence firm performance, a notion referred to as the reputation hypothesis (Ghafran et al., 2022). This view aligns with findings from Al Lawati et al. (2021), Kamaludin et al. (2023), and Saleh and Mansour. (2024), who documented that overlapping committee memberships enhance audit quality and reporting transparency. Similarly, frequent AC meetings provide an institutionalized channel for resource exchange, improving communication between auditors and management and promoting more informed financial decision-making.

Taken together, these two theoretical perspectives suggest competing effects: while agency theory highlights the potential drawbacks of excessive busyness and insufficient meeting activity, resource dependence theory underscores their potential benefits when managed

appropriately. Thus, this study posits that both audit committee busyness and meeting frequency are key determinants of financial performance, operating through their influence on earnings management and monitoring quality.

Accordingly, the following hypotheses are developed:

H1a: There is a positive relationship between audit committee meetings and financial performance.

H1b: There is a negative relationship between the audit committee's busyness and financial performance.

Audit Committee Characteristics and Earnings Management

The Effect of Audit Committee Meetings on Earnings Management

The frequency of audit committee (AC) meetings is a critical determinant of the committee's monitoring effectiveness. Consistent with agency theory and resource dependence theory, frequent meetings enhance members' ability to exchange information, identify irregularities, and provide strategic guidance to management, thereby reducing opportunities for earnings manipulation. Empirical evidence largely supports a negative relationship between meeting frequency and earnings management, indicating that regular meetings strengthen oversight and improve financial reporting quality (Ahmed et al., 2021; Al-Matari, 2022b; Hezabr et al. 2023). Studies by Usman et al. (2022) Rahman and Ali (2022), and Altin (2024) further demonstrate that active and engaged committees are more effective in curbing discretionary accruals and promoting transparency.

However, some studies (Udakumbura and Herath 2024; Tonye and Chimdike 2025) found either no significant or even a positive association between meeting frequency and earnings management, suggesting that mere meeting frequency without substance or quality discussions may not enhance monitoring effectiveness.

Overall, the preponderance of evidence suggests that frequent and substantive audit committee meetings strengthen corporate governance by improving information flow, enhancing audit quality, and mitigating earnings manipulation. Accordingly, this study expects that a higher frequency of AC meetings will be associated with lower levels of earnings management among Iraqi non-financial firms.

H2a: There is a negative relationship between audit committee meetings and earnings management.

The Effect of Audit Committee Busyness on Earnings Management

The empirical evidence on the relationship between audit committee (AC) busyness and earnings management (EM) remains mixed. Consistent with agency theory (Fama and Jensen, 1983), excessive board commitments may constrain AC members' ability to provide effective monitoring, thereby increasing the likelihood of opportunistic earnings practices. Studies by Wan-Hussin et al. (2021), Sakhil et al. (2024), Ghafran et al. (2022), and Saleh and Mansour (2024) demonstrate that busy AC members are associated with higher levels of EM, as overcommitment weakens their oversight capacity and audit diligence. Similar evidence has been documented across diverse contexts such as Indonesia (Zakiya and Arifin, 2024), Russia (Nikulin et al., 2022), and the USA (Ferris and Liao, 2019), indicating that busyness can erode financial reporting quality.

In contrast, drawing on resource dependence theory (Pfeffer and Salancik, 1978), some studies argue that holding multiple directorships may enhance AC effectiveness by broadening members' expertise and access to resources (Kamaludin et al., 2023; He et al., 2024). Nonetheless, most evidence in emerging economies supports the view that excessive busyness undermines the AC's monitoring role, particularly in weak institutional environments (Al-Matari, 2022b; Al-Absy et al., 2019).

H2b: There is a positive relationship between audit committee busyness and earnings management.

The Mediating Effect of Earnings Management

Grounded in agency theory (Jensen & Meckling, 1976), managers often possess both the incentive and the discretion to manipulate reported earnings in order to meet personal or organizational objectives, such as achieving bonus thresholds or projecting a favorable image to external stakeholders. Such practices distort the reliability of financial reports and may undermine firms' long-term performance. The audit committee serves as a key governance mechanism designed to mitigate these agency conflicts by monitoring managerial behaviour and ensuring the integrity of financial reporting.

Within this context, audit committee busyness and meeting frequency are expected to influence the extent of earnings management. A highly busy audit committee whose members hold multiple external directorships may suffer from reduced attention, time constraints, and diminished oversight capacity (Nehme and Jizi, 2018; Bala et al., 2020). Consequently, excessive busyness can weaken monitoring effectiveness, providing managers with greater latitude to engage in opportunistic accounting behaviour. Conversely, moderate levels of external engagement may enhance members' expertise and professional networks, thereby improving the committee's monitoring efficiency.

In contrast, audit committee meeting frequency reflects the committee's level of diligence and activeness. Frequent meetings facilitate timely communication, deeper scrutiny of financial statements, and enhanced coordination among members, all of which contribute to curbing earnings manipulation (Xie et al, 2003; Kamaludin et al., 2023). However, frequent meetings may indicate passive monitoring and limited oversight, enabling opportunistic managerial actions that distort firm performance outcomes.

Accordingly, earnings management is posited to play a mediating role between audit committee attributes and financial performance. When audit committees meet frequently and members are not overly burdened with external commitments, they are more capable of constraining earnings management practices, thereby improving reporting quality and enhancing both accounting-based and market-based performance measures. Conversely, if audit committees are excessively busy or insufficiently active, their effectiveness in reducing earnings manipulation declines, potentially diminishing their positive impact on firm performance (Al-ahdal and Hashim, 2022).

Based on the above discussion, the following hypotheses are proposed:

H3a: Earnings management mediates the relationship between audit committee meetings and financial performance.

H3b: Earnings management mediates the relationship between audit committee busyness and financial performance.

Methodology*Sample Selection*

This study adopts a quantitative longitudinal research design utilizing panel data to investigate the effect of audit committee characteristics on firms' financial performance, with earnings management incorporated as a mediating construct. The empirical analysis is conducted on a final sample comprising 35 non-financial firms listed on the Iraq Stock Exchange (ISX) over the period 2011–2023, generating 455 firm-year observations. The initial population consisted of 87 non-financial listed entities; however, the sample was refined due to incomplete or missing governance and financial disclosures, ensuring the reliability and consistency of the final dataset. The use of panel data is particularly advantageous as it accounts for firm-specific heterogeneity, captures temporal dynamics, and mitigates potential endogeneity concerns, thereby enhancing the robustness of the empirical findings.

Variables and Measurement*Dependent Variable*

Financial Performance: Corporate financial performance in this study is assessed through both accounting-based and market-based indicators. The accounting measures include return on assets (ROA) and return on equity (ROE), which are widely recognized proxies of firm profitability and have been extensively applied in prior literature (Ahmed & Hågen, 2023; ElHawary, 2021). In addition, the market-based metric, Tobin's Q (calculated as market capitalization to total assets), is employed to capture the market valuation aspect of performance (Al-ahdal & Hashim, 2022; Kamaludin et al., 2023).

Independent Variables

The study focuses on two key audit committee attributes, busyness and meeting frequency, as the main independent variables.

Audit Committee Busyness

Audit committee busyness reflects the extent to which members concurrently hold multiple directorships or professional responsibilities outside the focal firm. In this study, busyness is operationalised as a dummy variable, taking the value of 1 if at least one audit committee member serves on two or more other boards, and 0 otherwise (e.g., Al-Absy et al., 2019; Gupta and Mahakud, 2021; Al-Matari, 2022b; Kamaludin et al., 2023). Although multiple board memberships may broaden directors' professional experience and enhance access to external networks, excessive busyness may limit the time and attention devoted to monitoring activities, thereby diminishing the audit committee's oversight effectiveness and potentially increasing the likelihood of earnings management.

Audit Committee Meetings

Meeting frequency denotes the number of formal meetings held by the audit committee during a fiscal year. It serves as an indicator of the committee's activeness and monitoring diligence (Xie et al., 2003; Kamaludin et al., 2023). A higher meeting frequency is expected to strengthen oversight, improve information exchange between committee members and auditors, and enhance the timeliness and accuracy of financial reporting. Consequently, more frequent meetings are often associated with reduced earnings manipulation and improved financial performance.

Mediating Variable

Earnings Management: To measure earnings management, this study applies the Modified Jones Model (Dechow et al., 1995), which adjusts for changes in revenues and receivables as well as property, plant, and equipment (Sakhil et al., 2024). The model is specified as follows:

$$\frac{TA_t}{A_t - 1} = a_1 \left(\frac{1}{A_t - 1} \right) + a_2 \left[\frac{(\Delta REV_t - \Delta REC_t)}{A_t - 1} \right] + a_3 \left(\frac{PPE_t}{A_t - 1} \right) + \varepsilon_{it}$$

Where:

- TA_{it}: Total accruals of firm i in year t.
- A_{it-1}: Total assets of firm i in year t-1.
- ΔREV_{it}: Change in revenues.
- ΔREC_{it}: Change in receivables.
- PPE_{it}: Property, plant, and equipment.
- ε_{it}: Error term.

The residuals from this regression represent discretionary accruals (DA), which are used as a proxy for earnings management.

Control Variables

Firm Size: In line with prior literature, firm size is proxied by the natural logarithm of total assets (Al-Ahdal et al., 2023), as summarized in Table 1. Larger firms typically exhibit more complex operational and reporting structures, which may heighten both their incentives and opportunities to smooth earnings or overstate performance (Bawuah, 2024). However, smaller firms may have greater flexibility in withholding information, whereas larger entities are often subject to enhanced monitoring and regulatory scrutiny due to greater information transparency (Nikulin et al., 2022; Almarayeh et al., 2022). Despite this oversight, empirical evidence remains mixed regarding whether size mitigates or exacerbates earnings management behaviour.

Sales Growth: Consistent with previous empirical research, sales growth is computed as the change in sales from the previous year divided by the current year's sales (Faisal et al., 2023), as presented in Table 1. This variable captures firms' expansion potential and revenue dynamics, which may influence both managerial discretion and financial performance outcomes.

Financial Leverage: Financial leverage is defined as the ratio of total liabilities to total assets (Alsayani et al., 2023; Ali, Othman, Hasan, et al., 2025). Firms with higher leverage levels often face greater pressure to meet debt covenants or earnings targets, which may encourage the use of accrual-based earnings management techniques (Bawuah, 2024). Therefore, leverage serves as a critical control variable to account for variations in firms' capital structure and financial risk exposure.

Table 1

A summarised version of the study variables measurements

Variables	Measurement	References
ACBUSY	1 if AC member holds seats at other firms, 0 otherwise	(Al-Absy et al., 2019; Gupta and Mahakud, 2021; Al-Matari, 2022; Kamaludin et al., 2023)
ACMEET	Number of meetings held by the AC during the year.	(Kyere and Ausloos, 2021; Al-Matari, 2022a; Zarefar and Narsa, 2023; Ali, 2024)
ROA	Net income / Total assets	(Ahmed & Hågen, 2023; Ali, Othman, Sakhil, et al., 2025)
ROE	Net income / Total equity	(Ahmed & Hågen, 2023; Qeshta et al., 2021; Ali et al., 2025)
TQ	Market capitalisation / Total assets	(Al-ahdal & Hashim, 2022; Ali, Othman, Hasan, et al., 2025)
EM	Modified Jones Model (discretionary accruals)	(Ayyed, 2024; Sakhil & Ali, 2022; Dechow et al., 1995)
FSIZE	Natural logarithm of total assets	(Al-Ahdal et al., 2023)
SG	The differences between current and previous year sales / Current year sales	(Faisal et al., 2023; Nipper, 2021)
LEV	Total liabilities / Total assets	(Sakhil & Ali, 2022; Alsayani et al., 2023; Sakhil, Bajuri, et al., 2025)

Model Specification

To estimate the hypothesized relationships, this study applies the two-step System Generalized Method of Moments (System-GMM) estimator developed by Arellano and Bover (1995) and Blundell and Bond (1998). This dynamic panel estimation technique is employed to effectively address issues of endogeneity, firm-specific heterogeneity, and simultaneity bias that commonly arise in corporate governance and performance studies. Compared with conventional estimators such as OLS and fixed effects, System-GMM provides more efficient and consistent estimates by exploiting internal instruments derived from lagged levels and differences of the variables.

To ensure the robustness and validity of the results, several diagnostic procedures are performed, including the estimation of alternative models using the Difference-GMM approach, the assessment of multicollinearity through Variance Inflation Factors (VIF), and tests of the residual properties. These checks enhance the credibility and reliability of the empirical findings.

The empirical models are specified as follows:

1. Direct effect of audit committee characteristics on financial performance:

$$FP_it = \beta_0 + \beta_1 ACBUSY_it + \beta_2 ACMEET_it + \beta_3 FSIZE_it + \beta_4 SG_it + \beta_5 LEV_it + \varepsilon_it$$

2. Direct effect of audit committee characteristics on earnings management:

$$EM_it = \beta_0 + \beta_1 ACBUSY_it + \beta_2 ACMEET_it + \beta_3 FSIZE_it + \beta_4 SG_it + \beta_5 LEV_it + \varepsilon_it$$

3. Mediating role of earnings management:

$$FP_it = \beta_0 + \beta_1 ACBUSY_it + \beta_2 ACMEET_it + \beta_3 EM_it + \beta_4 FSIZE_it + \beta_5 SG_it + \beta_6 LEV_it + \varepsilon_it$$

Estimation Diagnostics

To ensure the robustness and validity of the System-GMM estimations, several diagnostic tests are conducted. The Sargan and Hansen tests are employed to assess the overall validity of the instrumental variables and to confirm that the instruments are neither weak nor overidentified. Furthermore, the Arellano–Bond test for second-order autocorrelation [AR (2)] is used to verify the absence of serial correlation in the differenced residuals, which is a key requirement for the consistency of GMM estimators. In addition, the Variance Inflation Factor (VIF) is computed to detect potential multicollinearity among the explanatory variables. Collectively, these diagnostic procedures confirm the reliability, consistency, and robustness of the estimated models.

Descriptive Statistics

The descriptive analysis of the studied variables reveals substantial variation among the Iraqi non-financial listed firms in the sample. The mean return on assets (ROA) was negative (–0.030), reflecting the inability of some firms to generate operating returns, while the mean return on equity (ROE) was positive but low (0.050), with considerable heterogeneity across firms. Tobin’s Q recorded a relatively high average (3.514) with a large standard deviation, indicating wide disparities in market valuation. Regarding audit committee characteristics, the average number of meetings was 2.273 per year, which is below internationally recommended levels, whereas audit committee busyness (ACBUSY) showed a low mean of 0.301, suggesting that only about one-third of members held multiple directorships. For the mediating variable, earnings management (EM) reported an average of 0.119, reflecting varied practices of earnings manipulation across firms. Concerning the control variables, firm size (SIZE) tended to be relatively large, with a mean of 22.348, while sales growth (SG) exhibited very high dispersion, indicating significant differences in growth dynamics. Leverage (LEV) also varied widely, revealing substantial differences in firms’ reliance on debt financing. Overall, these findings suggest that the sample is characterized by considerable heterogeneity in financial performance, governance structures, and financial attributes, thereby justifying the application of dynamic estimation techniques to address potential issues of heterogeneity and endogeneity across firms and over time.

Table 4.1

Research Descriptive

Variable	Mean	Std. Dev	Minimum	Maximum
ROA	-0.030	0.335	-4.339	0.338
ROE	0.050	0.598	-4.091	2.786
TQ	3.514	5.403	0.000	33.658
ACM	2.273	0.442	0.693	3.178
ACBUSY	0.301	0.459	0.000	1.000
EM	0.119	0.155	0.000	1.428
SIZE	22.348	1.373	18.996	27.049
SG	1.137	7.132	-1.000	60.971
LEV	0.543	1.125	0.004	8.697

Correlation Analysis

The correlation analysis reveals mixed associations among the study variables. Audit committee busyness (ACBUSY) shows weak and negative correlations with most measures of financial performance (ROA, ROE, and Tobin's Q), none of which are statistically significant. This suggests that multiple directorships held by audit committee members do not enhance monitoring effectiveness or improve the financial performance of Iraqi firms. Similarly, the correlation between busyness and earnings management (EM) is very weak and insignificant (0.016), indicating that director busyness does not play a meaningful role in constraining opportunistic reporting practices.

In contrast, audit committee meeting frequency (ACM) demonstrates negative but insignificant correlations with financial performance indicators, including ROA, ROE, and Tobin's Q. This may imply that holding more meetings does not necessarily lead to improved performance but could instead reflect attempts to address existing problems. The correlation between meeting frequency and earnings management is positive (0.095) but weak and insignificant, suggesting that audit committee meetings have only a limited influence in curbing earnings manipulation.

Furthermore, some control variables exhibit stronger associations. Firm size (SIZE) is positively correlated with audit committee meetings (0.29) and independence (0.404), indicating that larger firms are more likely to strengthen governance mechanisms through more active and independent committees. Leverage (LEV), on the other hand, shows a strong and significant negative relationship with ROA (−0.55), underscoring the adverse impact of high debt levels on profitability.

Overall, these findings suggest that neither audit committee busyness nor meeting frequency demonstrates strong or significant correlations with financial performance or earnings management. This underlines the necessity of employing advanced dynamic models, such as system GMM, to explore potential causal relationships and to better assess the mediating role of earnings management in these linkages.

Table 4.2

Pairwise Correlation

	ROA	ROE	TQ	ACBUSY	ACM	EM	SIZE	SG	LEV
ROA	1								
ROE	0.196*	1							
TQ	-0.162*	0.113	1						
ACBUSY	-0.050	-0.091	-0.037*	1					
ACM	-0.113	-0.085	0.032	-0.040	1				
EM	-0.068	0.010	0.053	0.016	0.095	1			
SIZE	0.152	0.028	-0.231	0.032	0.290*	-0.040	1		
SG	0.009	-0.007	0.005	0.006	-0.020	0.018	-0.024	1	
LEV	-0.55*	0.061	0.155	0.017	0.171	0.072	-0.117	-0.050	1

Notes: * Correlation is significant at the 0.05 level (2-tailed).

Empirical Results

The results indicate that the frequency of audit committee meetings (ACM) has a negative and significant effect on return on assets ($\beta = -0.033$, $p < 0.05$). This suggests that more

frequent meetings do not necessarily translate into stronger oversight; rather, they may signal internal problems that compel the committee to meet more often without improving asset profitability. Similarly, audit committee busyness (ACBUSY) was negatively and highly significant ($\beta = -0.030$, $p < 0.01$), indicating that overcommitted members, who hold multiple roles, are less effective in their monitoring function, thereby harming accounting-based performance. The control variables supported theoretical expectations: firm size (SIZE) was positively associated with ROA, whereas leverage (LEV) had a strong negative effect.

Table 4.3

(GMM Model for ROA) Based on Hypotheses H1a-H1b

Variable	Coefficient	Std. Error	z. Statistic	Prob
L1.ROA	0.005	0.005	1.150	0.250
ACM	-0.033	0.016	-2.070	0.039
ACBUSY	-0.030	0.007	-4.070	0.000
Size	0.154	0.028	5.410	0.000
Sg	0.001	0.001	1.240	0.215
Lev	-0.230	0.009	-25.760	0.000
_cons	-2.723	0.756	-3.600	0.000
Sargan test	0.5058	AR (2)	0.159	
Wald Chi2	14773.05	Prob	0.000	

Consistent with the previous model, both ACM and ACBUSY exhibited strong negative and significant effects on return on equity ($\beta = -0.255$, $p < 0.01$; $\beta = -0.140$, $p < 0.01$). This suggests that frequent meetings or busier members do not improve shareholder returns but may instead weaken monitoring efficiency. In contrast, firm size (SIZE) and leverage (LEV) positively contributed to ROE, while sales growth (SG) showed a negative effect, reflecting that aggressive expansion may reduce profitability.

Table 4.4

(GMM Model for ROE) Based on Hypotheses H1a-H1b

Variable	Coefficient	Std. Error	z. Statistic	Prob
L1.ROE	-0.223	0.006	-38.280	0.000
ACM	-0.255	0.036	-7.150	0.000
ACBUSY	-0.140	0.015	-9.400	0.000
size	0.243	0.032	7.620	0.000
Sg	-0.001	0.000	-3.020	0.003
Lev	0.133	0.013	10.280	0.000
_cons	-3.789	0.725	-5.220	0.000
Sargan test	0.308	AR (2)	0.302	
Wald Chi2	144912.34	Prob	0.000	

The results for Tobin's Q were partially different. The frequency of meetings (ACM) had a positive and significant effect ($\beta = 0.630$, $p < 0.01$), suggesting that investors may interpret frequent meetings as a signal of stronger oversight and greater transparency. In contrast, busyness (ACBUSY) was statistically insignificant ($p > 0.05$), implying that investors do not penalize directors' busyness as long as disclosure continues. Firm size (SIZE) was negative and

significant, suggesting that larger firms may face lower market valuation due to structural challenges.

Table 4.5

GMM Model for Tobin's Q (TQ) Based on Hypotheses H1a-H1b

Variable	Coefficient	Std. Error	z. Statistic	Prob
L1.TQ	0.458	0.047	9.700	0.000
Acm	0.630	0.173	3.640	0.000
acbusy	-0.084	0.096	-0.870	0.385
Size	-4.753	0.327	-14.520	0.000
Sg	-0.037	0.005	-7.510	0.000
Lev	0.809	0.110	7.380	0.000
_cons	121.152	8.866	13.660	0.000
Sargan test	0.4974	AR (2)	0.8283	
Wald Chi2	8.91e+06	Prob	0.000	

The results of the GMM model indicate that audit committee meetings (ACM) have a negative and statistically significant effect on earnings management ($\beta = -0.057$, $p < 0.01$). This suggests that increasing the frequency of committee meetings enhances its monitoring effectiveness and reduces opportunities for earnings manipulation. Such findings are consistent with theoretical assumptions that more frequent meetings strengthen continuous oversight and improve financial reporting quality.

In contrast, audit committee busyness (ACBUSY) shows a weak and insignificant negative effect ($\beta = -0.002$, $p > 0.05$), implying that multiple directorships held by members do not materially affect the level of earnings management practices in Iraqi firms. This may be attributable to contextual factors such as the limited capital market environment or the reduced effectiveness of members in fulfilling their multiple roles.

Regarding the control variables, the results reveal that firm size (SIZE) exerts a negative and significant influence ($\beta = -0.039$, $p < 0.01$), indicating that larger firms are less likely to engage in earnings manipulation due to stronger institutional monitoring and disclosure requirements. Similarly, sales growth (SG) demonstrates a negative and significant effect ($\beta = -0.001$, $p < 0.01$), reflecting that high-growth firms face fewer incentives to manage earnings. Moreover, leverage (LEV) also has a negative and significant impact ($\beta = -0.013$, $p < 0.01$), suggesting that higher debt levels impose stricter monitoring by creditors, thereby constraining the scope for earnings manipulation.

Finally, the robustness of the model is confirmed by the diagnostic tests: the Sargan test ($p = 0.5055$) supports the validity of the instruments, the AR (2) test ($p = 0.471$) confirms the absence of second-order autocorrelation in the residuals, and the Wald test indicates a high overall significance of the model.

Table 4.6

GMM Model for EM Based on Hypotheses H2a-H2b

Variable	Coefficient	Std. Error	z. Statistic	Prob
L1.EM	0.146	0.031	4.670	0.000
ACM	-0.057	0.021	-2.750	0.006
ACBUSY	-0.002	0.009	-0.250	0.799
Size	-0.039	0.010	-3.890	0.000
Sg	-0.001	0.000	-3.250	0.001
Lev	-0.013	0.005	-2.610	0.009
_cons	1.155	0.272	4.250	0.000
Sargan test	0.5055	AR (2)	0.471	
Wald Chi2	1725.94	Prob	0.000	

Table 4.7 presents the GMM results for return on assets (ROA). Audit committee meetings (ACM) show a negative and significant coefficient ($\beta = -0.036$, $p < 0.05$), while audit committee busyness (ACBUSY) also has a negative and highly significant effect ($\beta = -0.026$, $p < 0.01$). These findings suggest that frequent meetings and director overcommitment reduce operating profitability, possibly due to inefficiencies or limited monitoring quality. Earnings management (EM) is negative and significant ($\beta = -0.209$, $p < 0.01$), confirming its mediating role: part of the adverse effect of ACM and ACBUSY on ROA is transmitted through opportunistic earnings practices. Firm size improves profitability, while leverage significantly reduces it, in line with prior evidence. Model diagnostics confirm robustness (Sargan test $p = 0.432$; AR (2) $p = 0.136$).

Table 4.7

(GMM Model for ROA) Based on Hypotheses H3a-H3b

Variable	Coefficient	Std. Error	z. Statistic	Prob
L1.ROA	0.003	0.005	0.490	0.626
Acm	-0.036	0.017	-2.120	0.034
acbusy	-0.026	0.007	-3.690	0.000
EM	-0.209	0.031	-6.760	0.000
Size	0.155	0.029	5.370	0.000
Sg	0.001	0.001	0.970	0.332
Lev	-0.225	0.010	-22.490	0.000
_cons	-2.338	0.736	-3.180	0.001
Sargan test	0.432	AR (2)	0.136	
Wald Chi2	15288.23	Prob	0.000	

Table 4.8 reports the impact of audit committee meetings and busyness on return on equity (ROE). The results show that ACM has a negative and highly significant effect ($\beta = -0.283$, $p < 0.01$), and ACBUSY is likewise negative and significant ($\beta = -0.148$, $p < 0.01$), implying that both characteristics constrain shareholder returns. However, earnings management (EM) is not significant ($\beta = -0.036$, $p > 0.05$), indicating that its mediating role is weak in the case of ROE, and the relationship between audit committee characteristics and ROE remains direct. Firm size is a positive determinant, while sales growth and leverage exert significant effects

in the expected directions. Diagnostic statistics support model validity (Sargan test $p = 0.207$; AR (2) $p = 0.299$).

Table 4.8

(GMM Model for ROE) Based on Hypotheses H3a-H3b

Variable	Coefficient	Std. Error	z. Statistic	Prob
L1.ROE	-0.222	0.011	-19.390	0.000
Acm	-0.283	0.038	-7.380	0.000
Acbusy	-0.148	0.016	-9.380	0.000
EM	-0.036	0.044	-0.810	0.420
Size	0.246	0.036	6.910	0.000
Sg	-0.001	0.000	-4.980	0.000
Lev	0.134	0.017	8.110	0.000
_cons	-3.481	0.704	-4.950	0.000
Sargan test	0.207	AR (2)	0.299	
Wald Chi2	2.96e+06	Prob	0.000	

Table 4.9 presents the estimation results for Tobin's Q. Audit committee meetings (ACM) display a positive and significant effect ($\beta = 0.324$, $p < 0.05$), suggesting that more frequent meetings enhance firms' market valuation. In contrast, audit committee busyness (ACBUSY) is negative but not significant ($\beta = -0.090$, $p > 0.05$), reflecting limited market relevance. Earnings management (EM), however, is negative and highly significant ($\beta = -1.130$, $p < 0.01$), demonstrating that opportunistic earnings practices undermine investor confidence and weaken firm value. This indicates a partial mediating role of EM, which offsets the positive contribution of ACM. Control variables behave consistently with expectations: firm size and sales growth reduce market valuation, while leverage increases it. The model passes all diagnostic checks (Sargan test $p = 0.325$; AR (2) $p = 0.789$).

Table 4.9

(GMM Model for TQ) Based on Hypotheses H3a-H3b

Variable	Coefficient	Std. Error	z. Statistic	Prob
L1.TQ	0.471	0.038	12.420	0.000
Acm	0.324	0.137	2.370	0.018
Acbusy	-0.090	0.109	-0.830	0.406
EM	-1.130	0.348	-3.250	0.001
Size	-4.768	0.308	-15.480	0.000
Sg	-0.035	0.008	-4.480	0.000
Lev	0.788	0.107	7.330	0.000
_cons	126.783	6.609	19.180	0.000
Sargan test	0.3253	AR (2)	0.789	
Wald Chi2	350352.75	Prob	0.000	

Discussion of Results

The results reveal that audit committee meeting frequency exerts a dual effect on firm performance. Specifically, a higher number of meetings is negatively associated with accounting-based performance measures (ROA and ROE), thereby failing to support

Hypothesis (H1a). This finding suggests that frequent meetings may reflect reactive responses to problems rather than proactive oversight, consistent with evidence from Al-Matari (2022) and Dakhilallh (2020). By contrast, the effect on market-based performance (Tobin's Q) is positive and significant, lending support to Hypothesis (H1a) and aligning with prior studies (Ahmed, 2019; Abbas and Frihatni, (2023), which highlight that investors interpret frequent meetings as a signal of enhanced governance.

Regarding audit committee busyness, the analysis shows consistently negative and significant effects on accounting-based measures (ROA and ROE), as hypothesized in H1b, suggesting that overcommitted directors reduce the effectiveness of monitoring, in line with findings from Meah et al. (2021), Alsheikh and Alsheikh (2023), and Umar et al. (2024). However, its effect on Tobin's Q is insignificant, indicating that capital markets do not place weight on this characteristic. Turning to earnings management, results indicate that more frequent meetings reduce opportunistic reporting, supporting Hypothesis (H2a). Audit committee busyness, however, shows no meaningful relationship with earnings management, offering no support for Hypothesis (H2b). These findings are partly consistent with recent evidence (Nikulin et al., 2022; Altin, 2024). Finally, mediation analysis confirms that earnings management partially mediates the relationship between audit committee characteristics (meeting frequency and busyness) and firm performance, particularly with respect to ROA and Tobin's Q. Thus, Hypotheses (H3a) and (H3b) are supported, underscoring that limiting earnings manipulation is a crucial mechanism through which audit committee effectiveness is translated into sustainable financial outcomes.

Conclusion

This study provides comprehensive evidence on the role of audit committee meeting frequency and busyness in shaping financial performance through the mediation of earnings management. The results show that more frequent meetings improve market-based valuation (Tobin's Q) but negatively affect accounting-based performance measures (ROA and ROE), suggesting that while investors may interpret frequent meetings as a positive governance signal, internally, they might reflect reactive responses to financial challenges. In contrast, audit committee busyness consistently weakens accounting performance (ROA and ROE), highlighting that overcommitted directors reduce monitoring effectiveness, while its effect on market valuation remains insignificant.

With respect to earnings management, the findings reveal that a higher number of meetings helps constrain opportunistic reporting, thereby improving the quality of financial disclosures, whereas director busyness has no meaningful impact. Furthermore, earnings management exhibits adverse long-term consequences: it undermines asset profitability (ROA) and market value (Tobin's Q), while showing no significant effect on equity-based returns (ROE). The mediation analysis confirms that earnings management partially mediates the relationship between audit committee characteristics (meeting frequency and busyness) and financial performance, particularly in accounting-based and market-based measures.

Overall, these findings extend the literature by offering new insights from the Iraqi context, emphasizing the importance of audit committee structures that balance effective meeting practices without overburdening members. For policymakers and regulators, the results underscore the need to strengthen governance mechanisms that minimize earnings

manipulation and foster sustainable performance, thereby safeguarding stakeholders and enhancing transparency in emerging markets.

Limitations and Recommendations

Despite the valuable insights this study provides regarding the influence of audit committee meetings and busyness on earnings management and financial performance in Iraqi firms, several limitations should be acknowledged. First, the sample was limited to 35 non-financial companies listed on the Iraq Stock Exchange between 2011 and 2023, which may restrict the generalizability of the findings to financial institutions or unlisted firms. Second, the study employed traditional financial performance indicators (ROA, ROE, and Tobin's Q) without considering non-financial measures such as sustainability performance, stakeholder engagement, or corporate social responsibility, which could offer a more holistic evaluation. Third, while the focus was placed on meeting frequency and busyness as key audit committee attributes, other potentially relevant characteristics, such as members' age, educational background, tenure, functional diversity, dual memberships, and meeting attendance, were not examined. These factors may provide additional insights into how audit committees perform their monitoring role. Moreover, the Iraqi institutional context, characterized by weak market infrastructure, governance enforcement gaps, and limited investor protection, makes the findings highly context-specific and less applicable to other emerging markets.

In light of these limitations, future research is encouraged to broaden the sample across multiple sectors and firm types, incorporate both financial and non-financial indicators to capture sustainable performance dimensions, and extend the analysis to additional audit committee attributes that may influence monitoring effectiveness. Comparative studies across emerging markets are also recommended to highlight similarities and divergences in governance practices. Finally, combining quantitative methods with qualitative approaches, such as interviews with board members or field studies, could yield deeper insights into the mechanisms through which audit committees operate under varying institutional environments.

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