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## **VOLUNTARY ADOPTION OF AUDIT COMMITTEE AND CORPORATE PERFORMANCE**

### **Abstract:**

Using a unique exogenous policy in corporate governance, this study examines how the voluntary adoption of audit committee affects the corporate performance and its risk. We use self-selection model to investigate the effect of voluntary audit committee on Tobin's Q, return on asset, total risk and idiosyncratic risk. Our results show that listed firm will have better performance and lower risk when a firm voluntarily adopts an audit committee, especially for a firm with higher family control and powerful CEO. Our results suggest that the voluntary adoption of audit committee can reduce agency conflict and asymmetric information and can provide emerging markets' policy makers to deliberate when they want to make policy about corporate governance.

### **Keywords:**

voluntarily adoption, self-selection bias, audit committee, agency conflict, asymmetric information, corporate performance, idiosyncratic risk