

"A man is  
great by  
deeds, not by  
birth"  
-Chanakya

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**Audit committee experience and Idiosyncratic volatility**

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## **Audit committee experience and Idiosyncratic volatility**

### **Abstract:**

This study examines how the experience of audit committee members (ACMs) affects the idiosyncratic volatility (IV) of stock returns in Indian companies. The research uncovers a U-shaped connection between the average ACM experience and IV, indicating that after a threshold of 9.5 years, greater ACM experience is linked to higher stock return volatility. This association applies to both internal and external experience among audit committee members, though it is less prominent in firms connected to business groups. Additionally, the U-shaped pattern leads to an inverted U-shaped relationship regarding: 1) the role of idiosyncratic factors in explaining total return variance, and 2) the average ACM experience and firm value. The findings remain consistent across various estimators and when accounting for firm, year, and industry fixed effects. These results imply that while audit committee experience can improve oversight and decrease company-specific risks, however, too much experience may result in entrenchment and agency issues, ultimately raising firm risk.



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