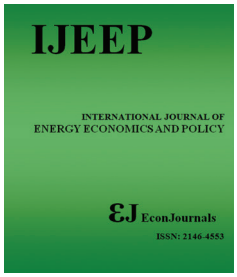

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Examining the Impact of Board Committees on the Relationship between Corporate Investment and Financial Performance

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ABSTRACT

This study examines the role of corporate governance, specifically its representation on board committees, on the relationship between corporate investments and financial performance. We use quarterly data from 441 publicly traded non-financial US companies between 2010 and 2023. By employing the GMM methodology, the results show that corporate investment is adversely associated with financial performance, supporting the hypothesis of an underinvestment problem. Our findings also suggest that corporate governance, as represented by board committees, the supervisory and executive authorities—plays a pivotal role in mitigating the negative impact of corporate investments on firm's financial performance. Furthermore, we note that the relationship between corporate governance and investments affects high-performing and low-performing companies differently, confirming the existence of asymmetry effect within the nexus between corporate governance and corporate investment across low and high-performing firms. The originality of this research lies in its comprehensive analysis of the role of strategic board committees—such as the Sustainability and Corporate Social Responsibility Committee, the Audit Committee, the Corporate Governance Committee, the Nominations Committee, and the Compensation Committee—in terms of the relationship between investment decisions and company performance, a topic rarely examined in the literature. The study's findings also offer practical implications for shareholders and decision-makers by strengthening oversight mechanisms and improving investment decisions.

Keywords: Board Committees, Financial Performance, Corporate Investment, Underinvestment Issue, Corporate Governance
JEL Classifications: G34, C23, G31

1. INTRODUCTION

The investment decision-making process is a fundamental principle for every economic entity. Efficient investment decisions enable organizations to function seamlessly, fostering shareholder faith in management. An investment choice pertains to the identification and procurement of both long-term and short-term assets that corporations use to generate more earnings, capital gains, or a combination of both (Hirshleifer, 1958; 1993). To improve financial performance, managers should exhibit transparency in their investment decisions and act in the best interest of shareholders to maximize shareholder wealth.

Engaging in heavy investments enables firms to experience less financial performance (Khan et al., 2023) because managers may intend to maximize their self-benefits by investing in less productive long-term projects (the "overinvestment problem"). Tufano (1998) and Haushalter (2000) asserted that the over-investment problem leads to a decline in a firm's financial performance; whereby increased investments may heighten the level of information asymmetry between principals and agents. Moreover, managers may overuse the cash reserves to serve their self-interests because they have an ease of access to private information and the inherent vulnerability of funds, exacerbating the agency problem and consequently heightening risks and diminishing the firm's value (Al-Shboul et al., 2021; Wu et al.,

2025). Conversely, corporate investment may improve financial performance by augmenting the appeal and quality of their primary products (Khan et al., 2023). Long-term investments may also increase the firm's capacity to produce substantial future profits, which would raise the value of the business (Duarte et al., 2024). More specifically, long-term investment can enhance a firm's performance when firms leverage low labor costs and other competitive advantages, enabling them to acquire the resources needed to compete globally.

However, excessive confidence in investments may result in capital depletion and increased involvement in negative NPV initiatives. In this regard, corporate governance controls the negative and overconfidence in corporate investment, through the board's committees which is a vital tool for maintaining the positive effect of corporate investment on performance enhancement. Al-Shboul et al. (2021) for example demonstrated that strong governance mechanisms contribute to preventing decision-makers from making investment decisions that are harmful to the interests of shareholders. In this case, firms could benefit from this strong governance to achieve stronger investments and financial performance. As a result, the role of the board of directors in controlling the actions of managers through their strategic committees is still an appealing research topic of investigation to academic and industry professionals.

According to the agency theory (Meckling and Jensen, 1976), the conflict of interest between management and shareholders escalates the firm's overall cost, leading to a negative association between corporate investment and financial performance. Managers may intentionally make financial decisions (including investment) that could lead to a decrease in firm value, such as managerial opportunism, insider trading, over- and under-investment problems, and adverse selection problems. To avoid value-decreasing decisions, shareholders and the board of directors in any economic entity should excel in their mentorship systems, corporate governance structures, and transparency in information sharing. Therefore, enhancing the functioning of important committees within supervisory and executive boards could facilitate links between shareholders and managers, thus improving the alignment of responsibilities within the organization and ultimately fostering continuous improvement in the firm's financial performance.

The key objective of corporate governance is not only enhancing corporate management but also reaching fair, efficient, and transparent administration to meet certain structures, operating and controlling a firm to achieve long-term strategic goals to satisfy stakeholders. It also aligns the firm with the legal and regulatory requirements and ensures high standards of governance. As a result, the internal corporate governance, represented by the board of directors' committee and/or board characteristics, has enticed more research courtesy over the years due to its possible impact on firm value. It can be defined by the process by which firms are controlled and directed by the board of directors (Barker et al., 2024). Enhanced and effective corporate governance is frequently emphasized as a primary driver of financial performance and the facilitation of advantageous corporate investment decisions within businesses. Moreover, the board committees are essential in enhancing the firm's competitiveness and promoting corporate sustainability (Hussain et al., 2024). Enhanced corporate governance can increase cash flows and/or reduce the cost of capital, hence demonstrating increased shareholder value (Tran, 2014; Tripathi et al., 2024).

Previous research has investigated the influence of board actions and corporate investment decisions on firm attributes. Nevertheless, the majority of these studies predominantly concentrated on board characteristics, including size, meeting frequency, audit meetings, cultural and gender diversity, skills and expertise, and independence, among others (Sajwani et al., 2024; Arora & Singh, 2024; Suciu et al., 2021; Chen et al., 2023; Lin and Xie, 2024; Croci et al., 2024), while largely neglecting the influence of board strategic committees, such as the sustainability and corporate social responsibility committee, audit committee, corporate governance committee, nomination committee, and compensation committee. Moreover, previous studies indicated a significant deficiency in research focused on the influence of board committees on the relationship between corporate investment decisions and financial success. Consequently, inadequate research has been directed toward examining the influence of corporate governance (board committees) on the correlation between business investment and performance.

To bridge the above deficiencies in literature, the main objective of this paper is to explore whether the board committees can impact the association between investment decisions and financial performance. To reach this objective, the paper offers multiple contributions to the existing literature. First, it attempts to display evidence on the link between corporate investment decisions and financial performance for the US's largest non-financial firms within the period between Q1-2010 and Q4-2023. Secondly, it provides a detailed look at how board committees affect the connection between investment choices and company performance, paying special attention to important committees like the corporate social responsibility sustainability committee, audit committee, corporate governance committee, nomination committee, and compensation committee, since earlier research has mostly overlooked them as a group in their analyses. To this effect, this research is among the initial studies that investigate the influence of these committees on the relationship between investment firm performance and varying levels of systematic risk inside firms.

This paper presents subsequent findings on the studied relationships. Namely, it finds that corporate investment decisions negatively impact financial performance, indicating that US enterprises are not efficiently managed and may experience issues related to underinvestment, overinvestment, and managerial opportunism. Nevertheless, the principal committees of the board of directors mitigate the adverse impact of corporate investment on financial performance. This indicates that the oversight and operational authority exercised by the directors is crucial in mitigating the impact of managerial opportunism on corporate performance. Moreover, the study reveals that organizations exhibiting superior financial success have a distinct impact on the relationship between

board committees and corporate investment, in contrast to firms with inferior performance. The board's committee enhances the positive impact of corporate investment on the performance of high-performing enterprises while mitigating the negative impact of corporate investment on the performance of low-performing firms. Our findings are informative for stakeholders and owners, assisting them in enhancing their capacity for successful investment decisions.

The primary motivation for this research stems from the ongoing debate in financial literature regarding the nature of the relationship between corporate investments and financial performance, particularly given the discrepancy between theoretical predictions and empirical findings that point to investment imbalances such as underinvestment. In this context, a deeper understanding of the role that corporate governance, and specifically board committees, can play in correcting these imbalances and enhancing the efficiency of investment decisions becomes crucial. The main contribution of this research lies in its provision of a comprehensive analytical framework that clarifies how strategic board committees, including audit, corporate governance, sustainability and social responsibility, nominations, and remuneration committees, contribute to mitigating the negative impact of investments on financial performance, while highlighting the differences in this role between high-performing and low-performing companies. At the societal level, the study's findings contribute to supporting corporate sustainability and enhancing operational and financial efficiency, which positively impacts economic stability and protects the interests of stakeholders. At the business community level, the study provides practical guidance for decision-makers, shareholders, and regulators on how to design and engineer board committee structures that enhance oversight effectiveness, improve the quality of investment decisions, and raise levels of transparency and accountability, thereby supporting the creation of long-term value for both companies and markets.

The remainder of the paper is organized as follows. Section 2 addresses the literature review and the formulation of hypotheses. Section 3 addresses and discusses the technique and data. Section 4 presents the results and analysis, while Section 5 addresses the conclusion.

2. LITERATURE REVIEW

2.1. Corporate Investment and Financial Performance

Finance theories posited by Fisher (1930) and Keynes (1936) assert that corporations refrain from investing until the future cash flow, when discounted, equates the net present value (NPV) of that investment to zero. Markowitz (1952) explicitly stated that several factors, including discounted cash flow, payback period, and internal rate of return, might influence the allocation of portfolio assets. Subsequently, alternative models examined investing behavior. Tobin's Q-theory of investment posits that firms invest in physical capital when the replacement cost of such investment is lower than the market value of existing capital.

To enhance financial performance, management should prioritize actions that maximize shareholder wealth (Meckling and Jensen, 1976; Park and Byun, 2022). This can be accomplished by prudent investment decisions in both the short and long term that improve shareholder welfare. Several channels mediate the influence of corporate investment on company performance. The initial channel is the technical change, wherein investments in long-term assets, including technology, can enhance the firm's capital, resulting in increased productivity. This enhancement may result in increased market share, fostering growth in sales and employment. Enhanced corporate investment decisions augment productivity development by diminishing capital adjustment costs (Fiori, 2012; Bachmann and Bayer, 2013).

Additionally, Fama (1978) contended that investment decisions are a determinant that might enhance business value. For example, investments that replace old machinery with new equipment by implementing new technologies can yield greater output than just "expansionary" investments. Nevertheless, investments in new projects may incur supplementary planting or installation costs. Apart from technologies, firm performance may also rise through investing in human capital, such as the recruitment of skilled and experienced workers. Enhancement of human capital could increase growth in sales and, hence, improve the net cash inflow position of firms.

The signaling theory has a strong emphasis on investment decisions. This theory asserts that more capital expenditures serve as an auspicious indicator of a firm's future growth, thereby influencing profits (Alghifari et al., 2022) and increasing firm value by tightening stock prices and liquidity levels. Stock investors assess and modify their risk-return profiles to manage their portfolio investments according to market information. If investment selections result in increased profitability, management is proficient in generating higher earnings. High profitability suggests that the company possesses favorable future opportunities, serving as a positive signal for investors to allocate their capital. Consequently, better investment decisions enhance a firm's reputation, thereby fostering investor faith in management, which in turn affects the firm's financial performance. Investment decisions, being solely administrative in nature, may be susceptible to exploitation and transgression due to human psychological tendencies.

A bulk of empirical studies has examined the effect of financial performance on corporate investment; conversely, they have not offered concrete evidence about this effect. For example, Saif Ul Islam et al. (2022) have partially confirmed these theoretical predictions. Salsabila and Yossi (2023) established a correlation between investment choices and financial outcomes. Saif Ul Islam et al. (2022) have shown that investment decisions substantially impact financial performance, indicating that these decisions exert a more pronounced effect on accounting-based performance than on market-based performance. Alghifari et al. (2022) stated that investment decisions enhance the financial performance of Indonesian firms. According to Mioduchowska-Jaroszewicz (2023), the Warsaw Stock Exchange's financial performance is influenced by investment choices. A study by Al-Abdullah and Zubon (2023) demonstrated that investment decisions positively influence the company's financial performance.

Conversely, other research identified a detrimental impact of investing on financial performance. Ahmad et al. (2023) demonstrated that investment decisions exhibit a negative correlation with Tobin's Q ratio. Chang (2023) showed that investment in technology has a negative effect on the financial performance of insurance firms in the short run, while this effect turns to a positive sign in the long term. Ozkan et al. (2023) averred that investment enhances financial performance in the long run when firms consider ethical and socially responsible investments.

The aforementioned studies endeavored to investigate the influence of business investment on financial success; nonetheless, they have left numerous research gaps unaddressed. Moreover, the empirical investigations yield conflicting results and violate financial theory predictions, while inadequate research has been devoted to examining the influence of business investment on financial performance. Consequently, the initial hypothesis is articulated as follows:

H_1: Corporate investment decisions have no influence on financial performance.

2.2. Board Committees and the Link between Corporate Investment and Performance

Agency theories indicate that firms with effective governance outperform those with inadequate governance. According to the resource dependency theory developed by Pfeffer and Salancik (1978; 2015), boards with more dual-duty members (participating in management and shareholders at the same time) are more competent in maximizing financial performance compared to boards with fewer single-duty directors. Although the existing literature has investigated the effect of corporate governance on financial performance, rare research effort is directed to examine the role of board committees in deriving the link between financial performance and investment decisions.

An enormous number of studies has examined the impact of corporate governance on financial performance. Most studies have focused on the effect of board characteristics, including board size, frequency of meetings, cultural and gender diversity, and board expertise on financial performance (Fariha et al., 2022; Sajwani et al., 2024; Almarayeh et al., 2025). However, they neglect the significance of the board's committees as factors in corporate governance. Although previous research largely focused on the influence of one or two board committees (e.g., audit committee and corporate governance committee) (Zhou et al., 2018; Kallamu and Saat, 2015) on corporate performance, they ignored the effects of other board committees, such as the corporate social responsibility sustainability committee, audit committee, corporate governance committee, nomination committee, and compensation committee. Prior research rarely employed these committees concurrently in their models. Previous research primarily concentrated on the influence of audit committees or business attributes (independent directors, board size, and financial experts) on financial performance (Fariha et al., 2022; Al-ahdal and Hashim, 2022; Alodat et al., 2022).

Agyei-Mensah (2021) argued that in publicly traded companies in Ghana, independent directors and financial experts negatively affected company investments, stating that these board characteristics help reduce excessive spending and improve investment effectiveness. Zhou et al. (2018) found no evidence linking board independence and audit committee features to business performance; instead, greater board independence correlated with inferior firm performance. Fariha et al. (2022) contended that the size of the audit committee reduces financial performance, whereas audit committee independence enhances financial performance, suggesting possible inefficiencies in board members' diversity. Al-ahdal and Hashim (2022) argued that audit committee characteristics do not show an effect on performance among Indian companies, while external audit quality appears to enhance company performance. Alzeban (2023) contended that reports provided by internal audit committees tend to increase financial performance. Alodat et al. (2022) stated that the audit committee enhances ROE but does not enhance performance when measured by Tobin's Q (TQ) due to the divergent outcomes in the firm's ownership structures. Hu et al. (2023) pointed out that board independence enhances financial performance during periods of idiosyncratic risk, as opposed to its advising role.

Mishra (2023) contended that the ratio of independent directors negatively impacts business performance in the Indian market, affirming the significance of necessary laws regarding the presence of independent directors on the boards of Indian firms. Edacherian et al. (2024) similarly conclude that in the Indian market, audit committees are negatively correlated with business performance, whereas nomination and pay committees are positively correlated with financial performance. Limited evidence of the link between investment and financial performance in Bangladesh was reported by Khan et al. (2015), as most firms had a lack of audit committees due to family ownership dominance.

Alawaqleh and Almasria (2021) indicated that the size of the audit committee enhances firm performance due to the existence of non-executive directors who exert extensive controlling powers over managerial decisions. Singhania and Panda (2024; 2025) argued that an increase in the audit committee meetings improves the efficiency of the committee and then leads to greater financial performance. They asserted that the presence of independent directors within this committee may allow for professional accounting knowledge that improves the ability of the committee to apply the corporate governance codes.

Additional research has concluded that efficient corporate governance helps mitigate the agency problem, thereby enhancing investment performance (Butt et al., 2024). Finance theory postulates that managers are responsible for investment decisions, funds allocation, and, consequently, the firm's risk-return profile (Holland, 2016), with these ultimate duties being directly linked to the board of directors. This theoretical postulation is confirmed by Aguilera et al. (2015), who argued that board members serve as the principal internal corporate governors, facilitating prudent financial sustainability and ensuring the survival and long-term success of capital investment decision-making.

Liu et al. (2023) stated that corporate governance can lessen moral hazard problems, suggesting that better corporate governance

elaborates management devotion while limiting unwanted spending and tunneling practices. Al-Abdullah and Zubon (2023) argued that board ownership enhances firm performance for Kuwaiti firms, demonstrating that directors are more incentivized to enhance financial performance due to their personal stakes in the firm. Chakraborty et al. (2023) found that board independence considerably affects investment decisions, suggesting that better management duties improve transparency and trust between investors and the firm's performance. Karim et al. (2024) found that well-engaged audit committees enhance investment decisions, thus improving confidence in the firm's financial reports because information is analyzed by professionals, which subsequently reduces agency costs. Xue and O'Sullivan (2023) established that robust corporate governance positively influences the relationship between investment decisions and company value.

The studies have revealed important, uncovered research gaps. Most studies have focused on analyzing the effects of one or two board committees individually as corporate governance mechanisms on investment decisions, falling short of assessing their combined influence on the firm's investment choices. Moreover, the majority of studies have concentrated on board features, including size, meeting frequency, cultural and gender diversity, skills and competence, and independence, while neglecting the influence of board committees on the relationship between corporate investment and financial performance. Thus this research on the effects of corporate governance is of great appeal to corporate boards that are willing to mitigate management issues and thereby affect the link between corporate investments and financial performance.

The theoretical rationale for how corporate governance affects firms' motivation to undertake more investments is associated with the availability of favorable investment prospects and the firm's capacity to secure low-cost external funding. The influence of corporate governance on investment decisions can be determined by several managerial and professional issues, such as moral hazard, asymmetric information, and adverse selection problems. These issues could lead to insufficient efforts due to inefficient shareholding monitoring activities, unnecessary spending that yields managerial self-benefits while decreasing the firm's value and tunneling problems in entrusted investments. Corporate governance can mitigate these issues and thereby affect the magnitude of investment and performance. If efficient corporate governance improves a firm's capacity for increased investment, managers can behave in a manner that aligns with their interests and minimizes financial expenditures. Long-term remuneration influences executive actions, so it enhances future stock value and motivates managers to make choices that align with stakeholder objectives. Consequently, the subsequent hypothesis is formulated:
H_2: Board committees have no impact on the link between investment decisions and financial performance.

2.3. High- and Low-Performing Firms

As explained, financial performance can be an effective form of corporate investment and governance implementation. The impact of corporate investment on financial performance for high-performing firms could be differently influenced by corporate governance than that for low-performing firms. Board committees might differently impact the link between corporate investment and performance for high-performing firms compared to low-performing firms. Unlike low-performing firms, high-performing firms can borrow sufficient capital to meet financial needs and, thus, may have a greater opportunity to wait for deferred returns. As a result, high-performing firms are more likely to engage in long-term investment projects compared to low-performing counterparts. Furthermore, consistent with the agency theory, where corporate governance is considered an effective shareholders' monitoring tool to conquer managerial reluctance to make long-horizon value-decreasing investment decisions (e.g., Khan et al., 2021; Suman and Singh, 2021), effective board committees can be a better driver of long-term investment decisions for high-performing firms compared to low-performing firms. High-performing enterprises benefit from seasoned board members, enhanced access to capital finance, and reduced information asymmetry and adverse selection issues. Enhanced financial performance may signify the increased influence exerted by institutional owners, who possess the capacity to oversee long-term investment initiatives due to their robust monitoring capabilities. These features enable such corporations to engage in more socially responsible activities, fostering social and economic well-being and development.

Various mechanisms elucidate the disparities in financial performance among firms and the influence of the relationship between corporate governance and investment. The efficacy of corporate investment and governance is frequently assessed by contrasting actual benefits with anticipated outcomes. In some instances, the anticipation of the prospective advantages of the interplay between corporate governance and investment appears to be founded on a limited number of widely reported success stories in financial performance among companies. Nevertheless, the experiences of these companies may not be universally applicable to other enterprises. If companies establish elevated and unrealistic expectations regarding the influence of corporate governance on corporate investment, even the positive effects of corporate governance on investment policy, which yield favorable outcomes but fall short of expectations, may be regarded as failures. Evidence demonstrating how varying degrees of performance influence the relationship between corporate governance and investment suggests that firms could establish an empirical foundation for developing realistic expectations.

Secondly, as companies frequently possess the capability to quantify investment amounts, corporate investment may encompass various cost categories, including training expenses, agency costs, implementation costs for new information and performance measurement systems, resource redeployment, and additional capital expenditures aimed at enhancing quality and elevating customer satisfaction. However, the benefits of controlling management decisions are challenging to quantify, as they may vary across high- and low-financially performing firms. Demonstrating the variation of gains based on firm performance could support corporate investment decisions, allowing firms to align return on investment with the actual experiences of comparable firms that have similar characteristics. Third, although

there is increasing implementation of corporate governance to control investment decisions, it is evident there is criticism regarding how firms with different levels of financial performance can express effective shareholders' monitoring mechanisms, resulting in lackluster economic returns.

The link between corporate governance and its effect on investment decisions, in particular its varying effects on low- and high-performing firms, has been rarely examined by the literature. High-performing firms can strengthen their total pool of available funds for new investments because such firms can generate greater growth in equity capital and raise more funds. Increased debt capacity allows firms to secure more profit, hence fostering more robust corporate governance mechanisms. In this case, high-performing firms can maintain larger reserves for future plant replacement, enabling them to manage their debt level effectively while generating significant investment income. These firms can have greater market share than low-performing firms. These firms may possess a larger market share than underperforming firms. Managers of high-performing organizations are keenly interested in management methods or strategies that enhance their firm's success. Even in financially troubled situations, high-performing organizations may effectively evaluate substantial strategic differences that may assist shareholders and managers in mitigating elevated agency costs. Considering the preceding discourse and concerning agency theory and investment theory, we propose the following hypothesis:

H_3: Board committees differently influence the relationship between corporate investment and performance for high-performing firms relative to low-performing firms.

3. METHODOLOGIES AND DATA

3.1. Methodology

To examine the impact of board of directors' key committees and investment decision firm performance, the following model is used as in Equation (1):

$$FP_{it} = \beta_0 + \beta_2 INV_{it} + \sum_{i=1}^{I} \beta_i H_{it} + \sum_{k=1}^{K} \beta_k C_{it}^k + \varepsilon_{it} \quad (1)$$

Where: FP_{it} denotes the proxy for firm performance for firm *i* and time (quarter) *t*, which takes either TOBIN's Q (TQ) as a main dependent variable or the return on assets (ROA) as an alternative proxy for firm performance (Fernández et al., 2019). $BCOM_{it}$ is the proxy for board committees. The committees are corporate social responsibility sustainability committee (SUS), audit committee (AUD), corporate governance committee (CGV), nomination committee (NOM) and compensation committee (CPN). The use of such proxies as corporate governance proxies is because setting up supervisory and incentive mechanisms that align managerial risk and effort with the interests of shareholders is a major concern for the board of directors (Tosi and Gomez-Mejia, 1989). Furthermore, INV_{it} is the proxy for investment decision measured by the percentage of capital expenditures on operating income. An alternative proxy is also used to represent the investment decision which is the natural logarithm of the Net property, plants, and equipment (NPPE) (Med Bechir and Jouirou, 2024). H_{it} represents a set of control variables per firm, which are firm size (SIZE) leverage (LEV), assets per share (APS) and Systematic risk (BETA). The other set of control variables, C_{it}^k, refers to the macroeconomic variables per country and global factor, such as the gross domestic product, the US effective federal funds rate, the west of Texas Intermediate Crude oil price index and the COVID-19 pandemic crisis (COVID). The description of the variables is summarized by Table 1.

To test for the impact of key committees on the link between investment decision and firm performance (interaction), the following model is used as in Equation (2):

$$FP_{it} = \beta_0 + \beta_2 INV_{it} + \beta_3 BCOM_{it} \times INV_{it} + \sum_{i=1}^{I} \beta_i H_{it} + \sum_{k=1}^{K} \beta_k C_{it}^k + \varepsilon_{it} \quad (2)$$

Where $BCOM_{it} \times INV_{it}$ is the integration variable between key committees and firm performance.

This study also investigates whether the committees of boards in high-performing firms influence the relationship between corporate investment decisions and performance differently than those in low-performing organizations. High-performing enterprises, in contrast to low-performing ones, can secure greater funding and generate adequate cash to fulfill financial requirements, allowing them to delay returns for a longer duration. As a result, high-performing firms are more likely to be inclined to engage in long-term investments. Unlike the financial attributes, high-performing firms are capable to reach to an optimal strategic alignment due to being able to bring the actions of firm's business divisions, employees, operations, and culture into a unified line, to help assure that all parties are fully aligned toward the firm's goals and key business purpose. Consistent with the agency theory where that corporate governance is an effective shareholders' monitoring tool to conquer managerial reluctance to make long horizon value-decreasing investment decisions (e.g., Wu et al., 2025), we aim to ascertain whether elevated levels of board committees significantly influence the relationship between long-term investments and the performance of high- and low-performing firms.

To investigate this issue, we initially categorize our sample firms into two subsamples: low-performing and high-performing enterprises. To examine this issue, we firstly divide our sample firms into two subsamples representing low-performing and high-performing firms. Low-financially-performing firms are selected when Tobin's Q values fall below the average of Tobin's Q of all firms in the sample. High- financially-performing firms are selected when their Tobin's Q values exceed the average of Tobin's Q of all firms in the sample. This idea is formulated using the model as in equations 3 and 4:

$$FP_{it}^{High} = \beta_0 + \beta_2 INV_{it} + \beta_3 BCOM_{it} \times INV_{it} + \sum_{i=1}^{I} \beta_i H_{it} + \sum_{k=1}^{K} \beta_k C_{it}^k + \varepsilon_{it} \quad (3)$$

$$FP_{it}^{Low} = \beta_0 + \beta_2 INV_{it} + \beta_3 BCOM_{it} \times INV_{it} + \sum_{i=1}^{I} \beta_i H_{it} + \sum_{k=1}^{K} \beta_k C_{it}^k + \varepsilon_{it} \quad (4)$$

Table 1: Variables description

Variables	Description	Source
Dependent variables		
Tobin Q (TQ)	The percentage of firm's market value on shareholders' equity	Refinitiv/Datastream and authors' own calculations
Return on assets (ROA)	Net income divided by total assets	Refinitiv/Datastream and authors' own calculations
Independent variables		
Corporate Social responsibility sustainability committee (SUS)	A dummy variable which is coded as the value of one if a firm quarter observation is a corporate social responsibility sustainability committee, or zero otherwise	Refinitiv/Datastream
Audit committee (AUD)	A dummy variable takes a value of 1 if members of a firm's board of directors and oversees its financial statements and reporting.	Refinitiv/Datastream
Corporate Governance committee (CGV)	A dummy variable which takes a value of 1 if a firm's board of directors and oversees has a corporate governance committee	Refinitiv/Datastream
Nomination committee (NOM)	A dummy variable takes the value of 1 if the board's committees or identifying candidates for positions on a board or zero otherwise.	Refinitiv/Datastream
Compensation committee (CPN)	A summary variable which takes a value of 1 if the board's compensation committee is tasked with setting executive compensation packages and incentive plans.	Refinitiv/Datastream
Corporate investment (INV)	The percentage of capital expenditures on operating income	Refinitiv/Datastream and authors' own calculations
Net property, plants, and Equipment (NPPE)	The natural logarithm of net property, plants, and Equipment.	Refinitiv/Datastream and authors' own calculations
Control variables		
Firm size (SIZE)	Natural logarithm of total assets	Refinitiv/Datastream and authors' own calculations
Leverage (LEV)	Total debt divided by total assets	Refinitiv/Datastream and authors' own calculations
Assets per share (APS)	The division of the net asset value (total assets less liabilities) on the number of outstanding shares.	Refinitiv/Datastream and authors' own calculations
Systematic risk (BETA)	The historical beta which is calculated by estimating the beta coefficient of the CAPM using daily data over a 1-year window.	Refinitiv/Datastream and authors' own calculations
Gross domestic product (GDP)	The change in the natural logarithm of the gross domestic products per capita	The World Bank and authors' own calculations
Crude oil price (OIL)	The natural logarithm of the West of Texas Intermediate crude oil prices	The World Bank and authors' own calculations
US effective Federal funds rate (FED)	The US effective Federal funds rate	The St Louis Federal Reserve and authors' own calculations
COVID-19 effect (COVID)	A dummy variable takes a value of 1 in the quarters for the years Q1-2020 to Q2-2022 or zero otherwise.	Authors' own calculations
Year	Year effect. It is measured by a dummy variable which takes the value of 1 for every year separately, or zero otherwise. It is used for finding robust standard errors clustered at the firm level.	Authors' own calculations
Industry	Industry effect. It is measured by a dummy variable which takes the value of 1 for the firms that belong to each industry sector, or zero otherwise. It is used for finding robust standard errors clustered at the firm level.	Authors' own calculations

Where high (low) is the high (low) performing firms. Upon estimating the mean values of the financial performance metrics (TQ and ROA), we partition the sample into two subsamples. A subsample consists of high-performing enterprises, assigned a value of 1 when their performance measure exceeds the mean of all firms in the complete sample, and 0 otherwise. The second subsample is the low-performing firms, which takes a value of 1 when the value of their performance measure is lower than the mean value of all firms in the full sample, or zero otherwise. The estimation of the models is well-fitted via using the most appropriate estimation methods as well as diagnosed testing.

3.2. Data

The study sample comprises the 441 biggest publicly listed firms in the US S&P500 index. We obtained the data for our analysis, encompassing the period from Q1-2010 to Q4-2023. The data for our analysis are obtained from several sources, including Refinitiv/Datastream, the St. Louis Federal Reserve, and World Bank databases (refer to Table 1). Table 2 shows the descriptive statistics for the variables used in the study. The mean value of firm performance proxies (TQ) and (ROA) is 0.0041 and 0.0650, respectively. The proxy for investment decision (INV) has a mean value of 0.1330, while the other investment proxy (NPPE) has a mean value of 14.743. The committees exhibit varying degrees of

Table 2: Descriptive statistics

Var Code	TQ	ROA	INV	NPPE	SUS	CGV	AUD	NOM	PCN	SIZE	LEV	APS	BETA	COVID	WTI	FED	GDP
Var No.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
Mean	0.004	0.066	0.134	14.824	0.648	0.974	0.995	0.849	0.967	16.459	31.810	26.718	1.063	0.143	0.001	−0.052	0.001
Sd	0.003	0.060	0.051	14.845	1.000	1.000	1.000	1.000	1.000	16.478	30.280	16.550	1.028	0.000	0.001	0.072	0.002
Skewness	0.003	0.080	0.259	1.780	0.477	0.158	0.073	0.358	0.179	1.299	23.824	88.784	0.724	0.350	0.003	0.324	0.047
Kurtosis	0.863	−1.497	7.153	−0.197	−0.622	−5.985	−13.584	−1.947	−5.231	−0.073	4.909	21.612	43.411	2.041	−1.801	−0.077	0.144
N	2.446	27.582	98.248	2.740	1.387	36.823	185.521	4.789	28.367	3.271	58.583	537.995	3838.114	5.167	13.898	7.850	4.330
Sum	23666	23901	24132	24196	24752	24752	24752	24752	24752	24752	24752	23737	24752	24752	24752	24752	24752
Min	0.001	−1.308	−1.143	7.437	0.000	0.000	0.000	0.000	0.000	10.899	0.000	−87.730	0.002	0.000	−0.010	−0.951	0.127
Max	0.010	0.800	7.492	19.376	1.000	1.000	1.000	1.000	1.000	20.471	396.550	2447.150	70.895	1.000	0.008	1.313	0.114

The table shows the summary descriptive statistics of the variables used in the study. The firm-level variables are winsorized at the 1 and 99% levels

variability, with the corporate social responsibility sustainability committee and the nominating committee displaying the highest standard deviations.

An examination of the connection between the variables shown in Table 3 reveals that both proxies for financial performance exhibit a negative correlation with the proxies for investment decisions, indicating that capital expenditures are likely to diminish firm performance in the US market. Additionally, the negative relationships between the committees and the investment decision indicators suggest that the board committees usually lessen the harmful impacts of long-term investments on financial performance. However, when it comes to the extent of these effects, board committees generally increase the impact of corporate investment on company performance but tend to reduce the detrimental effects of long-term investments on financial performance. However, in terms of magnitudes, board committees tend to amplify the effect of corporate investment on firm performance. The other important point is the correlations between financial performance and the control variables. We see that almost all control variables are negatively correlated with firm performance except for COVID-19 and GDP, which show positive correlations.

4. RESULTS AND ANALYSIS

4.1. The Main Model

The results of the estimations of the main model reported in Table 4 show that corporate investment is significantly and adversely associated with a firm's financial performance. The table divides the estimations into two parts. The estimations in columns (1-5) show how corporate investment affects firm performance by using the ratio of capital expenditures to operating income as a stand-in for corporate investment, using the GMM system of equations (GMM-sys) as proposed Arellano and Bover (1995). The estimations in columns (6-10) present estimations for the same impact in columns (6-10) using an alternative proxy for corporate investment, specifically the natural logarithm of net property, plants, and equipment, using the GMM system of equations (GMM-sys) as proposed Blundell and Bond (1998). Generally, the estimations in all columns show similar results where corporate investment is adversely associated with firm performance. This suggests that the US firms are clearly suffering from an underinvestment problem where managers could not efficiently manage investment in long-term assets, showing lesser incentives toward shareholders' maximization of wealth. Furthermore, the US firms might be characterized by adverse selection and information asymmetries. The adverse selection costs might come from the fact that managers may pursue more long-term investments to increase their future self-benefits, leading to negative NPV projects. In addition, their access to private information over shareholders might increase the firms' overall costs, leading to a decrease in financial performance.

Our results are in line with the findings of Saif Ul Islam et al. (2022) who stated that increases in investments such as fixed assets decrease firm performance due to incurring additional financing costs such as interest, which reduces profits. Investing

Table 3: Correlation coefficient matrix

Var Code	TQ	ROA	INV	NPPE	SUS	CGV	AUD	NOM	PCN	SIZE	LEV	APS	BETA	COVID	WTI	FED	GDP
Var No.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
TQ	1																
ROA	0.2779*	1															
INV	−0.1839*	−0.1478*	1														
NPPE	−0.1971*	−0.0959*	0.1795*	1													
SUS	0.1036*	0.0356*	−0.0034	−0.2197*	1												
CGV	0.0526*	0.0346*	−0.0044	−0.1057*	0.0084	1											
AUD	0.0257*	0.0877*	−0.0645*	−0.0091	−0.0446*	0.4502*	1										
NOM	0.0133*	0.0255*	−0.0153*	−0.1084*	−0.1292*	0.1306*	0.1734*	1									
PCN	0.0784*	0.0375*	−0.0962*	−0.1035*	−0.0644*	0.1128*	0.2972*	0.1462*	1								
SIZE	−0.2578*	−0.1097*	0.0779*	0.0625*	0.0832*	−0.0122	0.0124	−0.1272*	−0.0692*	1							
LEV	−0.0740*	−0.0260*	0.0954*	0.0116	0.0244*	0.0154*	−0.009	0.0091	−0.0689*	0.0450*	1						
APS	−0.0610*	−0.0037	0.0173*	0.0516*	0.0301*	−0.0235*	0.0004	0.0041	−0.0076	0.0816*	−0.0858*	1					
BETA	−0.0467*	−0.0939*	−0.0348*	−0.0917*	−0.0161*	0.0021	−0.0265*	0.0556*	0.0728*	−0.0893*	−0.0264*	0.0003	1				
COVID	0.0312*	−0.0224*	0.0179*	0.0540*	0.1207*	−0.0035	0.0045	−0.0493*	−0.0177*	0.1092*	0.0449*	0.0444*	0.0204*	1			
WTI	−0.0400*	−0.0197*	−0.0035	−0.0052	−0.009	−0.0002	−0.0008	0.0036	0.0013	−0.0066	−0.0041	−0.0037	0.0292*	−0.0374*	1		
FED	0.0266*	−0.0252*	−0.0109	−0.0163*	−0.0603*	−0.0019	0.0017	−0.0161*	−0.0071	−0.0234*	0.0053	−0.0116	−0.0141*	−0.2872*	−0.1349*	1	
GDP	−0.0331*	−0.0306*	−0.0014	0.0036	0.0157*	0.0007	−0.0005	0.0121	0.0056	0.0113	0.0062	0.0035	0.0275*	0.1814*	0.0773*	−0.0332*	1

The table provides the correlation coefficients among the variables used in the study. * refers to the level of significance = 0.05. See Table 1 for the variable description and definitions

in fixed assets might also generate a delay in immediate returns that takes time to be able to achieve greater productivity and profits. However, our results contradict the conclusion drawn by Nguyen et al. (2024), who reported a positive relationship between investment and financial performance in Malaysian firms, suggesting that investments enhance operating performance.

The other interesting issue is that the estimations of the board's committees are negative, suggesting that the board's committees play a role in reducing the detrimental impact of corporate investment on financial performance. Corporate governance practiced by board of directors through setting up supervisory and incentive mechanisms tend to be efficient in aligning managerial risk and effort with the interests of shareholders. This supports that the agency theory and the resource dependence theory. Our results contradict the conclusion reached by Xue and O'Sullivan (2023), who argued that effective governance and reliance on strong governance increase the interest in long-term investment, thereby improving financial performance.

The negative sign of firm size indicates that larger firms tend to show lesser firm performance. Given that our sample consists of the largest firms in the US market, which are highly capitalized and characterized by higher levels of information asymmetry, their size might reduce performance. Large firms may also face transaction, agency, and span of control costs (organizational costs), which at some point overcome the benefits of economies of scale, and thus firm performance will start to deteriorate. Our results confirm the findings reported by Lin et al. (2019) who asserted that larger firms have lower financial performance than smaller firms because the latter firms have greater flexibility and ability to adapt more effective corporate governance programs, thus having lower agency costs or less inefficient use of funds.

The negative effect of leverage on firm performance confirms that corporate debt is a value-decreasing function where more corporate debt engagement leads to a higher risk of bankruptcy. Furthermore, the adverse effect of corporate debt shows evidence of managerial opportunism within the US firms where managers, especially those who have dual duties (managers and shareholders), engage their firms in more corporate debt to get more personal benefits. This supports that capital structure theory where higher corporate debt is considered as a negative signal to reduce firm value since debt increases costs of financial distress. Our estimated results are consistent with Ghardallou (2023) who stated that firms with high financial leverage tend to have an adverse relationship between investment and performance because debt is likely to increase bankruptcy and agency costs, thereby weakening corporate governance strategies.

The assets per share ratio is positively associated with firm performance. This ratio compares the stock price to the firm's total value, reflecting investors' views when investing. Firms with more assets per share are more appealing to investors because they can make more profit. The negative impact of systematic risk (BETA) on firm performance suggests that higher systematic risk tends to reduce firm performance. Given that beta is considered an indicator of investment risk, where beta offers investors

Table 4: The links between board's key committees, investment decision and firm performance

Model No.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Estimation method	GMM-sys Arellano-Bover method					GMM-sys Blundell-Bond method				
L.TQ	0.5771***	0.5767***	0.5772***	0.5681***	0.5752***	0.5763***	0.5754***	0.5762***	0.5665***	0.7821***
	(6255.45)	(4756.78)	(6700.69)	(4095.09)	(5715.76)	(3742.34)	(6955.96)	(4562.54)	(3624.13)	(10648.73)
INV	−0.0004***	−0.0004***	−0.0004***	−0.0004***	−0.0004***					
	(−68.81)	(−36.55)	(−35.45)	(−47.25)	(−32.71)					
NPPE						−0.0002***	−0.0002***	−0.0002***	−0.0002***	−0.0001***
						(−198.74)	(−209.94)	(−203.98)	(−175.68)	(−193.15)
SUS	−0.0003***					−0.0000***				
	(−33.24)					(−14.22)				
CGV		−0.0006***					−0.0008***			
		(−44.13)					(−65.47)			
AUD			−0.0005***					−0.0005***		
			(−21.07)					(−3.65)		
NOM				−0.0010***					−0.0010***	
				(−128.45)					(−140.83)	
CPN					−0.0012***					−0.0011***
					(−65.38)					(−11.20)
SIZE	−0.0004***	−0.0004***	−0.0004***	−0.0004***	−0.0004***	−0.0002***	−0.0002***	−0.0002***	−0.0002***	−0.0004***
	(−151.02)	(−214.00)	(−231.25)	(−217.57)	(−243.82)	(−114.09)	(−86.22)	(−106.91)	(−120.50)	(−393.33)
L.LEV	0.0000***	0.0000***	0.0000***	0.0000***	0.0000***	0.0000***	0.0000***	0.0000***	0.0000***	0.0000***
	(56.05)	(58.61)	(45.10)	(15.78)	(37.26)	(52.07)	(47.94)	(41.66)	(5.83)	(235.74)
L.APS	0.0000***	0.0000***	0.0000***	0.0000***	0.0000***	0.0000***	0.0000***	0.0000***	0.0000***	0.0000***
	(14.56)	(15.72)	(10.70)	(13.34)	(11.70)	(18.76)	(16.47)	(14.95)	(16.87)	(17.92)
BETA	−0.0001***	−0.0001***	−0.0001***	−0.0001***	−0.0001***	−0.0001***	−0.0001***	−0.0001***	−0.0001***	−0.0001***
	(−32.16)	(−41.19)	(−45.23)	(−38.58)	(−35.59)	(−37.07)	(−65.39)	(−36.15)	(−39.51)	(−162.61)
COVID	0.0002***	0.0002***	0.0002***	0.0002***	0.0002***	0.0003***	0.0002***	0.0002***	0.0003***	0.0005***
	(285.71)	(590.41)	(431.84)	(405.82)	(375.91)	(376.18)	(314.52)	(509.55)	(362.32)	(1222.44)
WTI	−0.0001***	−0.0001***	−0.0001***	0.0000***	−0.0001***	−0.0001***	−0.0001***	−0.0001***	−0.0000***	−0.0001***
	(−163.61)	(−102.05)	(−132.44)	(10.18)	(−98.96)	(−319.01)	(−117.61)	(−164.86)	(−11.20)	(−306.09)
GDP	−0.0253***	−0.0254***	−0.0253***	−0.0285***	−0.0259***	−0.0236***	−0.0238***	−0.0237***	−0.0271***	−0.0020***
	(−458.55)	(−515.55)	(−399.80)	(−496.90)	(−480.92)	(−448.71)	(−497.30)	(−372.01)	(−385.90)	(−98.04)
FED	0.0001***	0.0001***	0.0001***	0.0001***	0.0001***	0.0001***	0.0001***	0.0001***	0.0001***	0.0002***
	(207.99)	(282.74)	(266.25)	(234.71)	(346.21)	(305.27)	(244.71)	(389.42)	(244.95)	(1087.30)
Cons	0.0080***	0.0086***	0.0081***	0.0096***	0.0095***	0.0082***	0.0091***	0.0082***	0.0099***	0.0094***
	(230.57)	(305.85)	(325.52)	(342.54)	(377.20)	(415.89)	(292.76)	(442.23)	(334.07)	(755.20)
Year	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
n	22964	22964	22964	22964	22964	22968	22968	22968	22968	22968
AR(1)	−8.4263***	−8.4253***	−8.4247***	−8.4286***	−8.4274***	−8.4439***	−8.4433***	−8.4415***	−8.4669***	−6.6086***
P−value	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
AR(2)	−0.48125	−0.48323	−0.48479	−0.46882	−0.4786	−0.41258	−0.40801	−0.41222	−0.32627	−0.13905
P-value	0.6303	0.6289	0.6278	0.6392	0.6322	0.6799	0.6833	0.6802	0.7442	0.8894
Sargan-Hansen	336.624	336.363	336.407	336.451	336.306	336.016	336.506	336.683	336.429	337.138
P-value	0.368	0.375	0.343	0.356	0.387	0.349	0.367	0.349	0.365	0.388
Wald test (F-statistic)	4.51E+08***	8.51E+09***	3.31E+08***	6.38E+08***	2.50E+10***	3.95E+09***	2.46E+08***	5.65E+09***	4.11E+07***	4.45E+08***

This table presents the estimations of the two-step system GMM estimation based on the Arellano-Bover method (columns 1-5) and the Blundell-Bond method (columns 6-10). AR (1) and AR (2) are test statistics for first-order and second-order serial correlations, respectively. The Hansen-Sargan over-identification test is a joint test of the hypotheses that all instruments are valid. The numbers between parentheses are the value of the appropriate test (t-statistic). *, **, and *** present the level of significance: 10%, 5% and 1%, respectively

information and/or signals about the possible riskiness of the firm, higher betas would offer negative news about the firm in the market risk, driving investors away from trading the firm's stock, and thus such negative news tends to reduce firm performance. Our results confirm the predictions of the signaling and the capital asset pricing theories.

The adverse effect of crude oil prices on firm performance suggests that a rise in crude oil prices increases the overall costs of US firms (as oil-importers), and thus firms with greater long-term corporate investment may encounter negative consequences, shortage in cash or a rise in the gap of information asymmetries, resulting in lower financial performance. Our results are consistent with Andrén (2016) reported that long-term investment in periods of sharp changes in oil prices can affect cash flow, and thus lowering financial performance. Furthermore, our results contradict the findings of Ilyas et al. (2021) who identified that postponement of investments due to oil price fluctuations negatively affect the financial performance for firms operating in the oil sector.

The positive association between GDP and firm performance in the US suggests that more economic growth tends to increase firm performance. Excessive economic growth tends to be supportive to the US firms by driving their performance up. Consequently, the increase in GDP has been very effective in mitigating the detrimental impact of corporate investments on financial performance in the US market. Our results are consistent with Mitra et al. (2023) who examined the effect of GDP on financial performance in India and Bahrain, respectively, arguing that in both countries, they reported that GDP enhances corporate performance.

In our analysis, the increase in the US effective federal funds rate (tightening the monetary policy) tend to increase firm performance. The intension to make the US dollar stronger via increasing the federal funds rate tends to generate a higher yield and control the appreciation of the US dollar and the inflation rate, which attracts foreign capital to obtain higher returns on bonds and interest-rate products. Given that most of the large firms in the US issue bonds and other interest income securities, the increase in the federal funds rate tend to increase their financial performance. Our results are consistent with Lin et al. (2018) who found that firms with greater institutional investment are able to take advantage of the opportunities available from a high interest rate environment.

4.2. Interaction between Board Committees and Corporate Investment

The results of the interaction between the board's committees and corporate investment against firm performance are reported in Table 5. The results are obtained using the two-step GMM system method proposed by Arellano and Bover (1995). In columns (1-5) of Table 5, the Tobin's Q is used as a proxy for firm performance (dependent variable), while in columns (6-10) the return on assets (ROA) is used as alternative proxy for firm performance. When using these alterative proxies, the results remain similar and robust. Interestingly, we argue that board's committees reduce the detrimental effect of corporate investments on firm performance in all estimated models. Overall, our results support the prediction of the corporate governance theories including agency theory, shareholder's theory as well as the resource dependency theory.

To ensure robustness, the same models are re-estimated utilizing an alternate estimation technique, specifically the Generalized Least Squares (GLS) method. The findings are presented in Table 6. Significantly, despite the utilization of a different estimating method, the results remain quantitatively comparable and robust even for ROA and TQ.

4.3. Low and High-Performing Firms

To further extend our analysis, given the results as in Tables 4-6 which showed an adverse effect between long-term investment and firm performance, we examine whether corporate governance differently impacts the relationship between corporate investment and financial performance for high-performing firms than that of low-performing firms. This analysis helps identify how firms with different level of financial performance are differently influenced by corporate investment when corporate governance is enhanced. The findings of this investigation are presented in Tables 7 and 8. The outcomes in Table 7 are derived using Tobin's Q, whereas those in Table 8 utilize ROA as an indicator of business performance. The estimation method is the GMM system of equations as proposed by Arellano and Bover (1995). The estimated parameters in columns (1-5) of Table 7 present the results for firms exhibiting low financial performance, whereas the estimated parameters in columns (6-10) of Table 7 illustrate the results for firms demonstrating better financial performance. The results reveal that for enterprises exhibiting low performance, corporate investment is inversely related to financial performance. This indicates that long-term investment diminishes the performance of underperforming enterprises. Underperforming organizations may exhibit inferior corporate governance, diminished growth prospects, and a reduced capacity to manage and mitigate agency costs and information asymmetry. Corporate governance, particularly through board committees, supports the enhancement of financial performance by effectively monitoring managerial and investment decisions, thereby mitigating the adverse impact of corporate investment on the performance of underperforming firms. By enhancing board efficiency, companies can mitigate the adverse effects of investment decisions on performance.

Contrarily, the findings in columns (6-10) of Table 7 yield conclusions that contradict those presented in columns (1-5). Results for high-performing firms demonstrate that enhanced corporate governance procedures amplify the impact of corporate investment on firm performance. This indicates that, in high-performing organizations, effective board committees enhance the correlation between long-term investment and performance. This is due to the ability of high performing firms to earn more profits, participate in greater debt financing, and possess more expansion opportunities. These features can improve the positive effect of investments on performance due to their robust shareholder control mechanisms, low asymmetric information, and reduced agency costs, resulting in superior financial performance.

To conclude, corporate governance significantly impacts the link between corporate investment and firm performance. Furthermore,

Table 5: Board's committees on the relationship between corporate investment and firm performance

Model No.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Dep Variable	TQ	TQ	TQ	TQ	TQ	ROA	ROA	ROA	ROA	ROA
L.TQ	0.5818***	0.5821***	0.5822***	0.5818***	0.5818***					
	(5695.26)	(4493.94)	(5241.05)	(5333.41)	(5853.84)					
L.ROA						0.7335***	0.7554***	0.7553***	0.7558***	0.7543***
						(7185.71)	(9084.12)	(5903.67)	(6297.83)	(4832.44)
INV	−0.0003***	−0.0003***	−0.0003***	−0.0003***	−0.0003***	−0.0070***	−0.0134***	−0.0131***	−0.0136***	−0.0121***
	(−58.61)	(−34.76)	(−44.03)	(−30.74)	(−39.06)	(−60.19)	(−52.64)	(−51.95)	(−52.35)	(−81.74)
SUS×INV	−0.0002***					−0.0088***				
	(−33.87)					(−169.98)				
CGV×INV		−0.0001***					−0.0081***			
		(−20.28)					(−60.90)			
AUD×INV			−0.0001***					−0.0082***		
			(−29.33)					(−41.81)		
NOM×INV				−0.0002***					−0.0046***	
				(−26.91)					(−29.61)	
CPN×INV					−0.0002***					−0.0105***
					(−26.49)					(−78.84)
SIZE	−0.0003***	−0.0003***	−0.0003***	−0.0003***	−0.0003***	−0.0211***	−0.0216***	−0.0216***	−0.0217***	−0.0214***
	(−207.11)	(−240.44)	(−154.05)	(−279.38)	(−287.27)	(−424.56)	(−337.68)	(−450.16)	(−291.66)	(−400.97)
L.LEV	0.0000***	0.0000***	0.0000**	0.0000***	0.0000**	−0.0007***	−0.0007***	−0.0007***	−0.0007***	−0.0007***
	(3.12)	(3.00)	(2.52)	(2.71)	(2.32)	(−297.13)	(−326.81)	(−436.38)	(−272.89)	(−383.11)
L.APS	0.0000***	0.0000***	0.0000***	0.0000***	0.0000***	0.0000***	0.0000***	0.0000***	0.0000***	0.0000***
	(15.70)	(10.91)	(12.71)	(11.26)	(12.92)	(11.51)	(8.17)	(7.98)	(7.35)	(6.10)
BETA	−0.0001***	−0.0001***	−0.0001***	−0.0001***	−0.0001***	−0.0041***	−0.0043***	−0.0043***	−0.0043***	−0.0042***
	(−33.05)	(−38.31)	(−35.69)	(−42.70)	(−34.81)	(−90.54)	(−129.36)	(−74.74)	(−82.22)	(−111.26)
COVID	0.0002***	0.0002***	0.0002***	0.0002***	0.0002***	0.0057***	0.0050***	0.0050***	0.0050***	0.0050***
	(351.92)	(278.85)	(162.94)	(227.38)	(287.76)	(180.35)	(130.33)	(141.98)	(180.51)	(112.64)
WTI	−0.0001***	−0.0001***	−0.0001***	−0.0001***	−0.0001***	−0.0045***	−0.0049***	−0.0049***	−0.0048***	−0.0049***
	(−176.66)	(−137.99)	(−160.33)	(−137.47)	(−151.11)	(−109.59)	(−137.06)	(−146.83)	(−129.54)	(−130.13)
GDP	−0.0242***	−0.0244***	−0.0244***	−0.0245***	−0.0244***	−0.2773***	−0.3124***	−0.3144***	−0.3156***	−0.3152***
	(−368.09)	(−579.07)	(−624.94)	(−751.78)	(−455.19)	(−104.01)	(−166.61)	(−98.51)	(−124.29)	(−195.79)
FED	0.0001***	0.0001***	0.0001***	0.0001***	0.0001***	0.0080***	0.0080***	0.0080***	0.0080***	0.0079***
	(245.84)	(197.71)	(145.32)	(196.73)	(252.41)	(343.25)	(298.28)	(365.65)	(351.59)	(261.55)
Cons	0.0078***	0.0079***	0.0079***	0.0079***	0.0079***	0.4073***	0.4159***	0.4169***	0.4178***	0.4147***
	(292.61)	(376.31)	(220.70)	(449.58)	(428.92)	(499.47)	(403.84)	(524.53)	(338.16)	(463.79)
Firm-industry	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
n	22909	22909	22909	22909	22909	22988	22599	22599	22599	22599
AR(1) Arellano-Bond	−8.4255	−8.4246	−8.4256	−8.4247	−8.424	−9.939	−9.852	−9.85	−9.853	−9.848
P-value	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
AR(2) Arellano-Bond	−0.48206	−0.47954	−0.47903	−0.47858	−0.48061	−3.7485	−3.8483	−3.8482	−3.8485	−3.8401
P-value	0.6298	0.6316	0.6319	0.6754	0.6308	0.302	0.2646	0.275	0.284	0.2657
Sargan-Hansen	336.7489	336.765	336.091	336.374	336.538	336.375	336.701	335.452	336.718	336.69
P-value	0.476	0.426	0.435	0.423	0.342	0.543	0.544	0.542	0.662	0.365
Wald test (F-statistic)	3.74E+08	5.54E+10	3.79E+09	3.97E+08	2.82E+08	9.26E+06	7.67E+07	7.67E+07	2.31E+08	9.49E+08

The table shows the estimations of the two-step system GMM estimation based on the Arellano-Bover method using TQ and ROA as dependent variables. AR (1) and AR (2) are test statistics for first-order and second-order serial correlations, respectively. The Hansen-Sargan over-identification test is a joint test of the hypotheses that all instruments are valid. The numbers between parentheses are the value of the appropriate test (t-statistic). *, **, and *** present the level of significance: 10%, 5% and 1%, respectively

Table 6: Robustness using the GLS method – Board's committees and the relationship between corporate investment and firm performance

Model No.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Dep Variable	TQ	TQ	TQ	TQ	TQ	ROA	ROA	ROA	ROA	ROA
INV	−0.0010***	−0.0012***	−0.0010***	−0.0018***	−0.0012***	−0.0313***	−0.0378***	−0.0493***	−0.0522***	−0.0333***
	(−11.93)	(−6.89)	(−5.60)	(−13.90)	(−8.93)	(−12.69)	(−8.33)	(−8.98)	(−12.46)	(−8.06)
SUS×INV	−0.0011***					−0.0306***				
	(−12.76)					(−8.71)				
CGV×INV		−0.0005**					−0.0074			
		(−2.57)					(−3.60)			
AUD×INV			−0.0007***					−0.0053		
			(−3.83)					(−2.96)		
NOM×INV				−0.0001					−0.0091**	
				(−0.69)					(−2.11)	
CPN×INV					−0.0005***					−0.0134***
					(−3.61)					(−3.05)
SIZE	−0.0005***	−0.0006***	−0.0006***	−0.0006***	−0.0006***	−0.0070***	−0.0080***	−0.0076***	−0.0076***	−0.0076***
	(−39.72)	(−42.75)	(−42.73)	(−42.62)	(−42.68)	(−17.16)	(−19.86)	(−18.96)	(−18.78)	(−18.89)
LEV	−0.0000***	−0.0000***	−0.0000***	−0.0000***	−0.0000***	−0.0000	−0.0000	−0.0000	−0.0000	−0.0000
	(−10.71)	(−10.70)	(−10.69)	(−10.90)	(−10.66)	(−1.07)	(−1.03)	(−1.12)	(−1.12)	(−1.03)
APS	−0.0000***	−0.0000***	−0.0000***	−0.0000***	−0.0000***	0.0000	0.0000	0.0000	0.0000	0.0000
	(−8.83)	(−8.72)	(−8.71)	(−8.67)	(−8.72)	(0.75)	(0.80)	(0.75)	(0.73)	(0.76)
BETA	−0.0003***	−0.0002***	−0.0002***	−0.0002***	−0.0002***	−0.0112***	−0.0110***	−0.0111***	−0.0111***	−0.0111***
	(−11.13)	(−10.67)	(−10.70)	(−10.47)	(−10.63)	(−16.19)	(−15.82)	(−15.92)	(−15.98)	(−15.96)
COVID	0.0009***	0.0008***	0.0008***	0.0008***	0.0008***	0.0035**	0.0020	0.0022	0.0023	0.0023
	(17.00)	(15.47)	(15.49)	(15.05)	(15.48)	(2.20)	(1.28)	(1.43)	(1.49)	(1.45)
WTI	−0.0018***	−0.0019***	−0.0019***	−0.0020***	−0.0019***	−0.0625***	−0.0606***	−0.0622***	−0.0625***	−0.0616***
	(−3.01)	(−3.21)	(−3.21)	(−3.36)	(−3.18)	(−3.48)	(−3.39)	(−3.46)	(−3.47)	(−3.43)
GDP	0.0198*	0.0217**	0.0220**	0.0220**	0.0215**	0.7889**	0.6434**	0.7388**	0.7455**	0.7457**
	(1.82)	(1.99)	(2.01)	(2.01)	(1.97)	(2.41)	(1.98)	(2.25)	(2.27)	(2.27)
FED	0.0005***	0.0005***	0.0005***	0.0005***	0.0005***	0.0052***	0.0048***	0.0049***	0.0049***	0.0049***
	(23.64)	(21.83)	(21.84)	(21.07)	(21.84)	(8.18)	(7.53)	(7.65)	(7.74)	(7.65)
Cons	0.0132***	0.0139***	0.0139***	0.0140***	0.0139***	0.1957***	0.2123***	0.2055***	0.2046***	0.2053***
	(59.28)	(62.19)	(62.19)	(61.88)	(62.14)	(28.90)	(31.60)	(30.72)	(30.53)	(30.68)
Fim-industry	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
n	23403	22968	22968	22580	22968	23038	22647	23038	23038	23038
AIC	−166402.4	−162709.9	−162715	−159095.6	−162718.1	−61660.68	60339.76	−61638.87	−61621.54	−61647.07
BIC	−166324.3	−162632	−162637.1	−159017.9	−162640.2	−61582.75	−60262.05	−61560.94	−61543.61	−61569.14
Wald chi2(9)	2421.77***	2296.32***	2302.04***	2265.88***	2305.55***	2301.75***	2277.08***	2277.16***	2257.63***	2286.4***

The table shows the estimations of using the cross-sectional time-series FGLS regression using TQ and RAO as dependent variables; *XTGLS* command in Stata. AIC and BIC are the Akaike's information criterion and Bayesian information criterion, respectively. The numbers between parentheses are the value of the appropriate test (t-statistic). *, **, and *** present the level of significance: 10%, 5% and 1%, respectively

Table 7: High- and low-performing firms - Board's committees and the relationship between corporate investment and performance

Model No.	(1)	(2)	(3)	(4)	(5)	(1)	(2)	(3)	(4)	(5)
Dep Variable	Low TQ					High TQ				
L.TQ	0.4121***	0.4125***	0.4125***	0.4124***	0.4125***	−0.0070***	−0.0070***	−0.0070***	−0.0070***	−0.0070***
	(27431.72)	(27188.17)	(17070.56)	(29024.32)	(32080.42)	(−16078.81)	(−20081.38)	(−16877.67)	(−18093.49)	(−24131.40)
INV	0.0130***	0.0063***	0.0063***	0.0074***	0.0063***	−0.0051***	−0.0036***	−0.0036***	−0.0035***	−0.0038***
	(1755.49)	(345.13)	(335.22)	(330.39)	(712.18)	(−1959.46)	(−1516.36)	(−1160.05)	(−909.53)	(−2031.63)
SUS×INV	0.0005***					−0.0030***				
	(79.91)					(−144.35)				
CGV×INV		0.0113***					−0.0035***			
		(1317.50)					(−740.70)			
AUD×INV			0.0114***					−0.0035***		
			(532.68)					(−1041.41)		
NOM×INV				0.0102***					−0.0024***	
				(765.28)					(−732.51)	
CPN×INV					0.0065***					−0.0030***
					(476.40)					(−3347.81)
SIZE	0.0027***	0.0031***	0.0031***	0.0031***	0.0031***	0.0129***	0.0126***	0.0126***	0.0126***	0.0125***
	(309.58)	(549.17)	(361.13)	(512.64)	(373.27)	(4722.26)	(7095.86)	(6460.23)	(2513.66)	(15641.50)
LEV	0.0004***	0.0004***	0.0004***	0.0004***	0.0004***	0.0017***	0.0017***	0.0017***	0.0017***	0.0017***
	(8336.34)	(4862.63)	(3639.36)	(2701.99)	(3388.85)	(41934.19)	(33806.86)	(58448.97)	(35795.30)	(62745.67)
APS	−0.0000***	−0.0001***	−0.0001***	−0.0001***	−0.0001***	0.0001***	0.0001***	0.0001***	0.0001***	0.0001***
	(−53.60)	(−651.41)	(−246.11)	(−134.22)	(−271.94)	(882.77)	(1000.54)	(1118.29)	(1808.56)	(4346.07)
BETA	−0.0002***	−0.0002***	−0.0002***	−0.0002***	−0.0002***	−0.0116***	−0.0113***	−0.0113***	−0.0112***	−0.0113***
	(−155.77)	(−48.00)	(−79.87)	(−37.28)	(−60.48)	(−15825.40)	(−7346.34)	(−9602.15)	(−11653.10)	(−32137.84)
COVID	0.0028***	0.0030***	0.0030***	0.0030***	0.0030***	−0.0209***	−0.0208***	−0.0208***	−0.0208***	−0.0208***
	(446.67)	(1192.30)	(746.20)	(911.62)	(1276.79)	(−43412.18)	(−19710.24)	(−62055.47)	(−16651.77)	(−65713.43)
WTI	−0.0075***	−0.0075***	−0.0075***	−0.0076***	−0.0075***	0.0099***	0.0099***	0.0099***	0.0100***	0.0099***
	(−2203.04)	(−1685.97)	(−1323.89)	(−1452.56)	(−1692.04)	(12347.46)	(9938.56)	(19039.28)	(4778.79)	(19545.64)
GDP	0.2852***	0.2949***	0.2947***	0.2973***	0.2964***	−0.7661***	−0.7652***	−0.7648***	−0.7699***	−0.7654***
	(2269.11)	(1515.18)	(838.43)	(1198.21)	(2203.54)	(−13884.69)	(−13980.01)	(−29208.33)	(−9566.69)	(−22752.58)
FED	0.0030***	0.0031***	0.0031***	0.0031***	0.0031***	−0.0152***	−0.0152***	−0.0152***	−0.0152***	−0.0152***
	(2511.85)	(4919.23)	(1850.72)	(2859.26)	(3774.68)	(−62887.30)	(−51740.18)	(−48063.84)	(−30528.03)	(−41154.52)
Cons	−0.0234***	−0.0290***	−0.0286***	−0.0288***	−0.0288***	−0.2954***	−0.2921***	−0.2921***	−0.2916***	−0.2901***
	(−142.47)	(−242.07)	(−190.90)	(−240.87)	(−167.44)	(−2027.79)	(−1897.65)	(−2138.32)	(−1632.39)	(−2348.90)
Firm−industry	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
n	10539	10539	10539	10539	9248	9248	9248	9248	9248	9248
AR(1) Arellano-Bond	−4.1921***	−4.1904***	−4.1907***	−4.1945***	−4.192***	−4.8558***	−4.8462***	−4.8471***	−4.845***	−4.7178***
P-value	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
AR(2) Arellano-Bond	0.64937	0.64371	0.64388	0.64616	0.64433	−0.01926	−0.02944	−0.02905	−0.02899	−0.0283
P-value	0.5161	0.5198	0.5197	0.5182	0.5194	0.9846	0.9765	0.9768	0.9769	0.9546
Sargan-Hansen	321.7084***	321.8987***	323.0514***	323.3503***	324.011***	346.5492***	343.46***	343.5042***	344.066***	341.76***
P-value	0.5436	0.5654	0.5698	0.5765	0.5642	0.5465	0.5367	0.5234	0.5432	0.6539
Wald test (F-statistic)	4.68E+10***	4.15E+10***	4.83E+10***	3.49E+10***	1.24E+11***	1.36E+09***	9.65E+08***	3.63E+09***	1.58E+09***	2.77E+09***

The table shows the estimations of the two-step system GMM estimation based on the Arellano-Bond method - TQ as a dependent variable. AR (1) and AR (2) are test statistics for first-order and second-order serial correlations, respectively. The Hansen-Sargan over-identification test is a joint test of the hypotheses that all instruments are valid. The numbers between parentheses are the value of the appropriate test (t-statistic). *, **, and *** present the level of significance: 10%, 5% and 1%, respectively

Table 8: Endogeneity ROA-high- and low-performing firms - Board's committees and the relationship between corporate investment and performance

Model No.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Dep Variable			Low ROA					High ROA		
L.ROA	0.6005***	0.4413***	0.4415***	0.4423***	0.4417***	0.4601***	0.4756***	0.4755***	0.4599***	0.4761***
	(1642.16)	(1362.39)	(2847.32)	(1484.95)	(8272.36)	(619.14)	(938.41)	(777.70)	(778.19)	(792.85)
INV	0.0020***	0.0022***	0.0022***	0.0024***	0.0022***	−0.0075***	−0.0194***	−0.0042***	−0.0109***	−0.0239***
	(53.25)	(79.39)	(261.48)	(91.13)	(124.90)	(−15.68)	(−128.97)	(−21.79)	(−12.36)	(−13.74)
SUS×INV	0.0039***					−0.0009***				
	(38.96)					(−4.08)				
CGV×INV		0.0014***					−0.0087***			
		(99.47)					(−42.77)			
AUD×INV			0.0014***					−0.0020**		
			(253.15)					(−78.10)		
NOM×INV				0.0026***					−0.0048***	
				(122.73)					(−4.97)	
CPN×INV					0.0024***					−0.0221***
					(72.58)					(−63.26)
SIZE	−0.0087***	−0.0068***	−0.0068***	−0.0067***	−0.0068***	−0.0287***	−0.0306***	−0.0307***	−0.0287***	−0.0307***
	(−323.29)	(−271.59)	(−212.99)	(−161.40)	(−176.44)	(−411.29)	(−586.55)	(−1020.00)	(−653.60)	(−688.80)
L.LEV	−0.0000***	−0.0001***	−0.0001***	−0.0001***	−0.0001***	−0.0000***	−0.0000***	−0.0000***	−0.0000***	−0.0000***
	(−14.26)	(−238.26)	(−144.78)	(−62.38)	(−71.52)	(−32.66)	(−30.12)	(−99.37)	(−55.93)	(−14.96)
APS	0.0000***	0.0000***	0.0000***	0.0000***	0.0000***	0.0000***	0.0000***	0.0000***	0.0000***	0.0000***
	(13.51)	(19.31)	(14.03)	(12.73)	(12.63)	(11.82)	(11.44)	(36.43)	(10.08)	(31.26)
BETA	−0.0006***	−0.0005***	−0.0005***	−0.0005***	−0.0005***	−0.0001***	−0.0001***	−0.0001***	−0.0001**	−0.0001*
	(−18.52)	(−19.50)	(−88.40)	(−93.34)	(−32.70)	(−3.43)	(−3.61)	(−4.66)	(−2.40)	(−1.71)
COVID	0.0017***	0.0034***	0.0034***	0.0035***	0.0034***	0.0051***	0.0054***	0.0054***	0.0052***	0.0054***
	(56.71)	(372.28)	(168.83)	(439.53)	(428.45)	(135.82)	(473.96)	(601.39)	(134.90)	(157.37)
WTI	−0.0010***	−0.0025***	−0.0025***	−0.0025***	−0.0025***	−0.0011***	−0.0020***	−0.0020***	−0.0011***	−0.0020***
	(−75.05)	(−228.44)	(−296.52)	(−719.14)	(−219.88)	(−49.55)	(−144.70)	(−221.62)	(−101.93)	(−68.90)
GDP	−0.0769***	0.0753***	0.0751***	0.0749***	0.0743***	0.1657***	0.1688***	0.1680***	0.1683***	0.1682***
	(−46.42)	(151.18)	(94.46)	(142.23)	(107.17)	(208.23)	(530.61)	(243.07)	(191.34)	(210.01)
FED	0.0028***	0.0037***	0.0037***	0.0037***	0.0037***	0.0037***	0.0035***	0.0035***	0.0038***	0.0035***
	(151.14)	(394.93)	(258.92)	(773.50)	(484.64)	(137.99)	(1112.78)	(800.93)	(223.00)	(226.83)
Cons	0.1601***	0.1395***	0.1391***	0.1386***	0.1391***	0.5255***	0.5596***	0.5610***	0.5256***	0.5614***
	(327.89)	(299.28)	(261.61)	(189.05)	(219.74)	(490.00)	(613.49)	(1295.47)	(665.34)	(1073.96)
Firm-industry	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
n	11502	10561	10561	10561	10561	8829	8056	8056	8829	8056
AR(1) Arellano-Bond	−5.1423***	−5.1453***	−5.1434***	−5.1485***	−5.1497***	−4.0115***	−3.9955***	−3.9946***	−3.9969***	−3.8839***
P-value	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
AR(2) Arellano-Bond	1.3686	1.372	1.3718	1.3662	1.3664	−0.90628	−0.86485	−0.86525	−0.86365	−0.55855
P-value	0.1711	0.1701	0.1701	0.1719	0.1718	0.3648	0.3871	0.3869	0.3878	0.5765
Sargan-Hansen	325.4313***	329.0322***	327.6313***	325.7922***	326.4912***	336.7437***	340.9009***	342.1003***	339.2758***	329.237***
P-value	0.5378	0.5459	0.5599	0.5517	0.5432	0.5498	0.5543	0.5375	0.5467	0.5512
Wald test (F-statistic)	6.57E+09***	6.21E+07***	1.33E+10***	5.30E+08***	3.78E+08***	9.04E+09***	9.27E+09***	1.56E+10***	2.62E+09***	2.59E+08***

The table shows the estimations of the two-step system GMM estimation based on the Arellano-Bond method - ROA as a dependent variable. AR (1) and AR (2) are test statistics for first-order and second-order serial correlations, respectively. The Hansen-Sargan over-identification test is a joint test of the hypotheses that all instruments are valid. The numbers between parentheses are the value of the appropriate test (t-statistic). *, **, and *** present the level of significance: 10%, 5% and 1%, respectively

the performance of high-performing firms is differently influenced by corporate investment and corporate governance than that of low-performing firms. This indicates that distorted effect of corporate investment and governance might be resulting from an asymmetric effect of the impact of corporate investment and corporate governance on the performance of high- and low-performing US firms.

To execute robustness check, the models in equation 3 and 4 are re-estimated using ROA as proxy for firm performance. The results of this robustness check are reported in Table 8. In columns (1-5) of the table shows the estimates for firms with low ROA (low-performing firms) while columns (6-10) show the estimates for firms with high ROA (high-performing firms). We see that the results of low-performing firms are altered by corporate investment in a manner distinct from that of high-performing firms. Moreover, corporate governance intensifies the positive effects of corporate investment on firm performance in low-performing corporations, while it alleviates the adverse effects of corporate investment on firm performance in high-performing firms. This means whenever corporate governance, as represented by the board committees, firm performance is enhanced for both types of firms. The findings in Tables 8 and 7 exhibit quantitatively similar results.

5. CONCLUSION, IMPLICATIONS, LIMITATIONS AND DIRECTIONS FOR RESEARCH

The study analyzed the effect of corporate investment on company's financial performance and the extent to which this effect is moderated by corporate governance through the key committees of the board of directors. Analysis of a sample of 441 US-listed nonfinancial enterprises indicates that corporate investment is negatively correlated with firm performance, hence contradicting the predictions of investment theory. The utilization of board key committees as an interaction variable in corporate investment decisions indicates that the committees' roles mitigate the adverse impact of corporate investment on firm performance, thereby corroborating agency and corporate governance theories, which posit that board members act in the best interests of shareholders. Although corporate investments negatively impact firm performance, board committees play a vital role in weakening this impact. This suggests that the board's committees play a pivotal role on the relationship between corporate investments and firm performance.

The findings of this study have significant practical and regulatory implications for policymakers, regulators, boards of directors, and investors. That being said, the results underscore the importance of strengthening legal and regulatory frameworks that support the effectiveness of board committees and clarify their oversight and executive roles, particularly during periods of instability and crisis. At the corporate level, the study highlights the need to restructure board committees to ensure a diversity of expertise and competencies, thereby enhancing the board's ability to mitigate inefficient investment decisions and improve financial performance. The findings also provide valuable insights for shareholders and investors into the impact of investment management decisions on company value and the role of governance in reducing agency issues and information asymmetry. On a broader economic level, these findings contribute to supporting corporate sustainability and enhancing financial stability, which in turn positively impacts economic growth and market prosperity.

Our findings help establish an economic foundation for efficient corporate investment decisions, as well as for board of directors to exert their power on weak managerial decisions, enhancing financial performance. Companies are encouraged to prioritize the structure and efficacy of their board committees, to ensure a diverse board expertise within the committees, thereby enhancing financial performance. Corporate governance practiced by the board's committee can help identify the board's effectiveness in monitoring strategies. This suggests that the efficacy of the board's committees may enhance the governance regulations. The results offer more information to shareholders about the impact of the corporate investment decision taken by management and whether they are following value-decreasing and/or -increasing actions.

While this study provides significant findings, several limitations can be considered when interpreting its results. First, the sample is limited to non-financial companies listed on the US stock exchange, which may restrict the generalizability of the results to financial companies or to markets and countries with different regulatory and institutional frameworks. However, financial companies are distinct in nature, and the research's importance lies in identifying frameworks that focus on non-financial companies. Also, further research on financial companies could serve as a future recommendation. Second, the study relied on quarterly data over a specific time period, which may not fully reflect the impact of long-term economic shocks or profound structural changes in the business environment. Nevertheless, the amount of information and the results are sufficient for this research framework. Finally, the explanatory variables were limited to a specific set of governance indicators and financial factors. Broader economic and institutional factors may also influence the relationship between corporate investments and financial performance, and this could be addressed in a separate or complementary study.

The findings of this study open broad avenues for future research in this field. The scope of the analysis can be expanded to include companies and financial institutions, allowing for deeper comparisons across different sectors. Furthermore, cross-country comparative studies can be conducted to examine the impact of varying regulatory frameworks and institutional environments on the role of board committees in investment decisions. In addition, future research can refine the analytical model by incorporating additional variables, such as global risks beyond those already mentioned, growth and inflation rates, financial stability, ownership structure, and environmental, social, and governance (ESG) indicators, thereby enhancing the explanatory power of the statistical models. Expanding the study to encompass the qualitative dimensions of board committee work and its impact on decision-making, as well as the interaction between committees and the board, particularly during periods of economic crisis, is

also highly recommended. This would aim to achieve a deeper understanding of the role of boards in creating long-term value.

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