Impact of Corporate Governance on Financial Performance of Consumers Goods Firms in Nigeria

OLOLADE, Elizabeth Balogun

Department of Accounting
Bingham University
Karu, Nasarawa State
E – Mail: balogun265@gmail.com, Phone No: +234 8160274642

Abstract

The main objective of this study is to determine the impact of corporate governance on the financial performance of consumer's goods firms in Nigeria over a period of five (5) years (2015 – 2019). This work employed Board Size, Board Independence, Board Diversity and Board Meeting to represent mechanism in determining their impact on performance of the Return on Asset as proxies dependent variable. The ex-post facto research design was used for this study; the secondary data obtained from the annual financial statements (Comprehensive income statement and Statement of financial position) of the selected consumers goods firms quoted on the Nigerian Stock Exchange. Descriptive statistics, Pearson correlation and Panel regression analysis in the form of generalized moment method is the main technique used for data analysis. The results showed that Board size has positive and insignificant effect on Return on Assets of listed consumer's goods firms in Nigeria, Board independence has negative and insignificant effect on Return on Assets of listed consumer's goods firms in Nigeria, Board diversity (women directors) has positive and significant impact on Return on Assets of listed consumer's goods firms in Nigeria and Board meeting has positive and insignificant impact on the Return on Assets of listed consumer's goods firms in Nigeria at 1% level of significant. Based on the above findings, we recommended the size of the board and independent directors should be well structured so as to help increased and widen the diverse skills and expertise and hence increased the financial performance of the firms and frequency of interaction among board members should be increased. As this will enable the board to discuss on operations of the company and how the health and wealth of the company will be improved.

Keywords: Corporate governance, Financial performance, Consumers goods firms

INTRODUCTION

The need to ensure corporate structure that can sustain credibility in the management of stakeholders' resources, maintenance of effective communication, transparency and accountability is a crucial issue among corporate organizations around the world. This is mainly because corporate governance has over the years positioned the discourse of governance on the front line of corporate performance. Corporate governance is fundamental to corporate operations, because it is the binding glue between structural and fundamental wings that defines how an organization is being managed and directed towards optimality (Irine & Indah, 2017). Corporate governance connects to the composition of an organization in persons, ideology, business fundamentals and operation in the quest to ensure operational credibility, transparency and effective communication business ideals to stakeholders. It is principally a mechanism put in place to help harmonize the interest of business stakeholder with the dynamics of business dealing (Ajala, Amuda, & Arulogun, 2012). Uwuigbe (2011) observed that maintaining effective corporate governance has been given priority by firms in developed countries over time, while its importance has not been accorded to corporate governance or firms in emerging economies. In recent times, investigations on this subject matter in developing countries have become the pressing interest of scholars (Irine & Indah, 2017; Ajala, Amuda, & Arulogun, 2012; Karam & Sonia, 2015; Khurshed & Shahid, 2016; Osundina, Olayinka, & Chukwuma, 2016). The tendency of a firm to survive the dynamics of business environment is to a greater extent influenced by the soundness of the components that defined the corporate governance of the organization, because corporate governance is fundamentally the corporate path through which the interrelation between the organization and society as whole can be put in the right perspectives, in order to foster optimum resources management and performance (Coleman & Nicholas, 2006).

Therefore, a good emergence of CG structure linked with a real intention to facilitate the overall monitoring process is directly responsible to enhance firms' performance in a way that ensures market stability and shareholders satisfaction. For example, polarizing independent directors to serve in a firm's board motivates other directors to override any misleading or opportunistic decisions that may have unfavourable impact on

financial performance (Chen & Zhang, 2014). The interests of independent members correspond with an agent's expectations since they do not have any direct benefits of engaging in opportunistic decisions that may affect that performance. Of equal importance, hiring members with a previous political connection may support a firm's financial position to interlock with the local environment in a way that facilitate firm's ability to obtain loans, for example, or to hinder greedy managers form exploiting resources to maximize their personal wealth (Gul & Zhang, 2016; Khwaja & Mian, 2005; Osazuwa et al., 2016). Poor corporate governance may lead to ineffective boards, which eventually may contribute to firm's failures. Also, poor boards could in turn lead to a run on the firm's unemployment, fraudulent activities, questionable dealings that may result to negative impact on the economy (Ogbechie & Koufopoulos, 2010). Beyond corporate failures, there have been other developments that have contributed to the renewed focus on corporate boards. Heightened dissatisfactions by shareholders due to poor financial performance, falling share value have led to questions being raised on the notch of competency of the management (Sherman & Chaganti 1998). The phenomenal growth exhibited by corporate investors including banks, mutual and pension funds has also increased focus on corporate boards. These established investors have the expertise to perform fiduciary responsibility of monitoring board to ensure good returns (Bolton & Roell, 2005). According to Healy (2003), it is now recognized that good corporate practices are a source of economic growth. At the midst of each of these corporate scandals, there is an attribute of the ineffectiveness of boards of directors. There is a need to ensure corporate structure that can sustain credibility in the management of stakeholders' resources, maintenance of effective communication, transparency and accountability is a crucial issue among corporate organizations around the world (Irine & Indah, 2017). It is therefore on this premise, that this study examined the effect of corporate governance on the financial performance of listed consumer's goods firms in Nigeria.

Issues of corporate governance have become so pervasive in recent years. It is important to recognize that financial performance of any firm is shaped largely by the quality of effectiveness of the firm's corporate governance (Azubike & Nweze, 2019). In the past three decades, the issue of corporate governance has become a contemporary agenda which has been repeatedly cited as a cause for the failures of many of the corporate entities worldwide. Primarily, this has resulted in a lack of trust from the societies due to the absence of the corporate accountability for the resources entrusted to such institutions. And trust is the pillar for institutions maneuver, especially for financial institutions, its value is as equal as the value that they worth and their existence in the market. Larger boards may enhance access to a variety of resources and improved executive supervision (Bredart, 2017). Large boards are more symbolic, but poor communication associated costs may be high than benefits (Habbash & Bajaher, 2018). Moreover, the crises have also exhibited a loss of investment by shareholders. The executive environment of manufacturing firms is under siege bankruptcy, insolvencies, massive unemployment, dwindling shareholders' turnover, poor performance and failing national economies, etc are just a few the many woes at failure of corporate governance. Corporate governance was introduced to restore investors' confidence and to provide efficient and effective operations of the consumer's goods sector which are key in any economic system. Recent collapse of firms was associated with poor corporate governance. Weak corporate governance was associated with the collapse of organizations (Zahahria & Zaharia, 2018). Based on the above the study seeks to study corporate governance mechanism on financial performance of consumer goods companies. The main objective of this study is to examine impact of corporate governance on the financial performance of consumer's goods firms in Nigeria and the underlisted are the hypothesis germane to this study.

Ho_1: Board size has no significant effect Return on Assets (ROA) of consumer goods firms in Nigeria.
Ho_2: Board independence has no significant effect on Return on Assets (ROA) of consumer goods firms in Nigeria.
Ho_3: Board diversity (women directors) has no significant effect on Return on Assets (ROA) of consumer goods in Nigeria.
Ho_4: Number of Board meeting has no significant effect on the Return on Assets (ROA) of consumer goods firms in Nigeria.

LITERATURE REVIEW

Conceptual Framework

Corporate Governance

La Porta (2000) view corporate governance as a set of mechanisms through which outside investors protects themselves against expropriation by insiders, i.e. the managers and controlling shareholders. They then give specific examples of the different forms of expropriation. The insiders may simply steal the profits; sell the output, the assets, or securities in the firm they control to another firm they own at below market prices; divert corporate opportunities from firms; put unqualified family members in managerial positions; or overpay managers. The Code of Corporate Governance issued by Central Bank of Nigeria (2016) defines the subject as the rules, processes, or laws by which institutions are operated, regulated, and governed. It is developed with the primary purpose of promoting a transparent and efficient system that will engender the rule of law and encourage division of responsibilities in a professional and objective manner. In Thailand, the National Corporate Governance Committee (NCGC) defined the term as a system having corporate control structure combining strong leadership and operations monitoring. Its purpose is to establish a transparent working environment and enhance the company's competitiveness.

New code of Coporate governance of Nigeria (2019), The Code provides a framework *"*to ensure good corporate governance practices in the public and private sectors of the Nigerian economy*"* by articulating a broad set of principles on corporate accountability, transparency and sustainability for both public and private companies in Nigeria. Corporate governance, according to Jegede, Akinlabi, and Soyebo (2013), encapsulates what defines the framework of operation of an organization, detailing the processes, regulatory code and ethics that ensure that an organization maintains free flow of operational interaction with the society towards achieving predetermined organizational goals. According to El-Kharouf (2014), corporate governance entails the engagement of the management in putting in place, the right strategies that would foster operational optimality that can guarantee the transparency and accountability of dealings in an organization. Various scholars have measured corporate governance using different proxies such as institutional ownership, managerial ownership, board size, audit committee size, director's remuneration, board meeting, board independence, ownership structure, as well as board gender diversity (Irine & Indah, 2016; Jegede, Akinlabi, & Soyebo, 2013; Akpan & Riman, 2012; Karam & Sonia, 2015; Gadi, Emesuanwu, & Shammah, 2015; Alexander, David, Musibau, & Adunola, 2015; Joseph & Ahmed, 2017). Prowse (1998) posits that corporate governance refers to the rules, standards and organizations in an economy that govern the behavior of business owners, directors, and managers and define their duties and accountability to outside investors.

Solomon and Solomon (2004) view it as the mechanism of checks and balances, both internal and external to companies, which ensures that organizations discharge their accountability to stakeholders and act in a socially responsible manner. Monks and Minow (1996) opine that corporate governance is the relationship among various participants in understanding the direction and performance of business organizations. This concept can be perceived as structure and processes to direct and control corporations and to account for their operations (Neuberger & Lank, 1998). Another opinion put across by Sanda et al. (2005) sees corporate governance as the ways in which all parties interested in the wellbeing of the corporation try to ensure that managers and other parties take necessary approach to safeguard the interest of all investors. Iskander & Chamlou (2000) stated that corporate governance is important not only to attract long-term foreign capital, but more especially to broaden and deepen local capital markets by attracting local investors both individual and institutional.

Board Size

One of the definitions of board size is the number of executive and non-executive directors on the board (O"Connell & Cramer, 2010 and Nigerian Securities and Exchange Commission Code of Corporate Governance, 2003 & 2011). Due to its importance, the literature has attempted to examine theoretically the impact of board size on corporate performance and has reported inconsistent findings. From agency theory perspective, having a large board of directors is not a desirable aspect

of corporate governance. This because a large board needs more financial resources such as remunerations and bonuses, thus it is costly to have a large board of directors. Further, a large board of directors can easily be dominated by the CEO since coordination is difficult among many directors (Jensen, 1993). In particular, it has been suggested that the optimal board of directors' size should be not more than nine directors (Lipton & Lorsch, 1992). Lipton and Lorsch (1992) argue that, if the number of directors on the board is more than a maximum level of ten, then the extra charges of having more directors that are usually linked to slow progress of decision making are greater than any marginal benefits to be gained from an increased ability of monitoring the managers' actions. In addition, it is likely that having a small board of directors leads to the ability to have productive discussions. This can be because every director has the chance to participate in the discussion and express their view in a meeting (Lipton & Lorsch, 1992). Further, Yawson (2006) argues that smaller boards are likely to be effective in decision making and are more likely to sanction personnel layoffs in response to performance declines. Due to the small number, decision making time will also be minimal.

Board Gender Diversity

Boyle and Jane (2011) maintain that high female representation on boards provides some additional skills and perspectives that may not be likely with all-male boards. Further they added that board diversity promotes more effective monitoring and problem-solving as well female board members bring diverse viewpoints to the boardroom and will provoke lively boardroom discussions. Gender diversity in the boards is supported by different theoretical perspectives. According to Erhardt et al. (2003), diversity of the board of directors and the subsequent conflict that is considered to commonly occur with diverse group dynamics is likely to have a positive impact on the controlling function and could be one of several tools used to minimize potential agency issues. Keasey et al. (1997) opines that in the view of stakeholders' theory, diversity also provides demonstration for different stakeholders of the firm for equity and fairness. Rose (2007) revealed insignificant association between numbers of women directors on the board and firm performance. However, Bathula (2008) believes that an increase in board diversity leads to better boards and governance on the ground that diversity allows boards to tap on broader talent pools for the role of directors.

Board Independence

Berghe and Baelden (2005) examined the issue of independence as an important factor in ensuring board effectiveness through the monitoring and strategic roles of the directors. The ultimate factor for the board independence is by acquiring enough numbers of the independent directors on board. They stated that the director's ability, willingness and board environment might lead to the independent attitude of each director. Kakabadse, Yang and Sanders (2010) narrated the effectiveness of non-executive directors in China is determined by their formal independence, information accessibility, incentives provided and competency. However, they found out that the non-executive director system in China was weak because there was too much intervention of controlling shareholders and there was a lack of understanding of the functions of non-executive directors.

Johari, Saleh, Jaffar and Hassan (2013) indicated that the minimum composition of the independent director by the Malaysia Code of Corporate Governance is still not adequate enough to monitor the management. They concluded that the composition of the independent directors on the board was not associated with earning management. They found out that most of the firms in Malaysia have 1/3 or 33% of the independent directors on the board, but it did not have any effect on the earning management. Besides, Wooi and Ming (2009) indicated that the independent directors have failed in their internal monitoring role in Malaysian Government Linked Companies (GLCs). Nowak and McCabe (2008) have studied the roles of the independent directors in Australian public listed companies by interviewing 30 directors. The participating directors agreed that a majority of non-executive directors (NEDs) on the board would provide a safeguard for a balance of power or management

relationship. Besides that, there was a distinction between the boards with independent non-executive directors and non-independent directors.

Board of Directors' Meetings

It is the responsibility of board members to make vital decisions regarding company operations. These decisions are made during board meetings at regular intervals. It is expected that when board members of a company attend meetings and make important decisions concerning the operations of the company, the health and wealth of the company will improve. Lipton and Lorsch (1992) and Schwartz-Ziv and Weisbach (2013) argue that frequent board meetings are positively associated with financial performance. In other words, regular board meetings grant directors opportunities to discuss firm performance. Monitoring of the firm‟s operation is a key board responsibility (Soobaroyen & Mahadeo, 2012; Siddiqui, Razzaq, Malik & Gul, 2013). Hence, frequent board meetings make it easier to monitor managers (Vafeas, 1999). Therefore, frequent board meetings can improve firm performance by mitigating agency problems (Schwartz-Ziv & Weisbach, 2013).

Financial Performance

Performance is the result of the fulfillment of the tasks assigned. Company performance describes how individuals in the company try to achieve a goal. Company performance illustrates the magnitude of the results in a process that has been achieved compared with the company's goal. Financial performance is a determinant of an organization's income, profits, increase in value as evidenced by the appreciation in the entity's worthiness (Asimakopoulos, Samitas & Papadogonas, 2009). Measures of financial performance fall into investor returns and accounting returns. The basic idea of investor returns is that the return should be measured from the perspective of shareholders e.g. share price and dividend yield. Accounting returns focus on how firm earnings respond to different managerial policies, which can be measured using different accounting ratios (Alan, 2008). Return on Assets (ROA): Measures the return by using assets to produce income. Analysts use ROA to assess a firm's operating performance relative to investments made without considering whether the firm used debt or equity capital to finance the investments (Stickney, 1996). The ratio measures the relationship between the amount of profit before interest and tax, and the total assets number expressed as a percentage. Although ROA shows how productive the firm's total assets are in producing profit, Stickney (2007) emphasized that it ignores the means and costs of financing the assets (i.e. the proportion of debt versus equity financing, and the cost of those forms of capital). A basic measure of firm's performance (profitability) that corrects for the size of the firm is the return on assets (ROA). It is calculated by dividing net income of the firm by the value of its assets. That is, profit before tax / total assets. ROA is a useful measure of how well a firm manager is doing on the job because it indicates how well firm assets are being used to generate profits.

Empirical Literature

Jerry (2019) examined the impact of corporate governance on financial performance of complements in Nigeria was conducted to examine the effects of corporate governance attributing board size, board composition on financial performance (proxied by Return on Assets (ROA), Return on Equity (ROE). The study uses the ex-post factor research design with a population and sample size of 6 quoted conglomerate companies listed on the in Nigerian Stock Exchange covering the period between 2008 and 2017. Data for this study was generated from the published annual accounts and reports of the sampled firms. For the purpose of data analysis, Random Effect regression was utilized for the two models (ROA and ROE). The study found that board size has a significant positive effect on financial performance, while board composition and board ownership have a significant negative effect on financial performance. Biruk and Gurdip (2019), examined the impact of corporate governance practices on share companies' financial performance by using panel regression approach. Data sources from 24 share companies for five years. The findings of robust FGLS estimation of panel regression using ROA and ROE as measures of financial performance revealed board of directors' gender diversity (BDGD sig. at 5%) and size of share companies (SIZE sig. at 1%) have a positive association with return on assets and board of directors meeting attendance rate (BDMAR) in person has a positive association but not significant. The board of directors' size (BS sig. at 5%), board of directors meeting frequency (BMF sig. at 5%) and board of

directors' leadership practice (BDLPR sig. at 1%) have a negative impact on return on assets. The paper also empirical findings ROE has a significant and positive association with board meeting frequency ($p<0.05$); board of directors' gender diversity ($p<0.05$) and size of share company ($p<0.01$). And board of directors meeting attendance rate in person has a significant and negative relationship with ROE ($p<0.01$). However, no significant but negative association was found between ROE with board size and board of directors' leadership practice. State ownership has also a positive association with ROA as well as ROE. The model is good fit with R-square value of 84 and 93% for model one (ROA) and two (ROE) respectively.

Akinleye and Olarewaju (2019), focused on corporate governance and performance of selected Nigerian multinational firms from 2012 to 2016. Specifically, the study focused on the effect of board size, activism and committee activism on return on asset and firm growth rate. Secondary data collected from four multinational firms were analyzed via static panel estimation techniques. While board size and board activism exerted significant negative impact on return on asset, committee activism exerted insignificant impact. The results of the study further showed that board size and board activism exert insignificant negative impact on firm's growth rate, while committee activism insignificantly spurs firm's growth rate. Decisively, discoveries from this study reflect that corporate governance has significant negative impact on return on asset, but has insignificant influence on the growth rate of Nigerian multinational firms. Tabash (2019), examined the impact of corporate governance mechanisms on financial performance of Indian hotel companies. The analysis was based on balanced panel data over a period ranging from 2013/2014 to 2015/2016 for 30 Indian hotel companies listed on the Bombay Stock Exchange (BSE). The study investigated three aspects of corporate governance mechanisms namely: the board of directors (size, composition, and diligence), audit committee (size, composition, and diligence) and institutional ownership, whereas financial performance was measured according to three common measures, return on assets (ROA), net interest margin (NIM), and earnings per share (EPS). The results confirm that board size, board diligence, audit committee size, and institutional ownership have a significant impact on ROA, while board composition, audit committee composition, audit committee diligence and company age have an insignificant effect on ROA. With respect to NIM model, the results indicate that board composition, board diligence, audit committee composition, institutional ownership and size of the company have a significant impact on NIM, while board size, audit committee size, and audit committee diligence have an insignificant effect on NIM. In terms of the EPS model, the results suggest that board size, board composition, board diligence, audit committee composition, and company age thus have a significant impact on EPS, while audit committee size, audit committee diligence, and institutional ownership have somewhat of an insignificant influence with EPS.

Arilyn and Kharismar (2019), determine what factors in corporate governance affect the financial performance of a firm. Financial performance, as the dependent variable, is measured by Return on Asset (ROA), while the independent variables (corporate governance) are measured using Board Independence, Board Size, Dividend, Firm Size, and Financial Leverage. The sampling method used in this research is purposive sampling. The requirements for the sample of this research are the non – financial firms included in LQ-45 from 2012 to 2017 that publish annual reports that are available to the public. The research method used in this paper is a quantitative method. Panel data analysis technique and E-views tools were also used. The results indicate that firm size and percentage of board independence has no effect on financial performance, while board size, dividends, and financial leverage all effect financial performance. Yimka, Babatunde and Okezie (2019), examined corporate governance practices eight years after (2010), given the instability in the political and economic environment under which they operated. The study also examined the relationship between corporate governance practices and firms' financial performance in the selected manufacturing companies in Lagos State, Nigeria. The study employed a comparative analysis to gauge the changes to corporate governance practice between the years 2003 to 2010 by manufacturing companies. The companies were selected based on availability of data from the stock exchange in terms of activities of trading and existence of reports on corporate governance in the companies' annual reports. The study used both descriptive statistics and econometrics method of analysis, using E-views 7 statistical software. The Panel data of the ten companies for the 8 years was used, employing ordinary least square (OLS) method of analysis. Consequently, the results of the descriptive statistics show that majority of the companies implemented the code of conduct that emphasizes appropriate composition of the

board of directors and forecast of operations. Further analysis shows that there was positive relationship between the return of equity and legal compliance, though the relationship is weak given the value of R as 0.197. Also, there were weak relationships between return on equity (ROE) and board compliance as R = -0.4430 and proactive indicators R as - 0.2345. These imply that while the companies obey the regulations in term of board composition, legal compliance and production projections, which are the major concerns of this study. Meanwhile, some other variables impacted more on ROE.

Olayiwola (2018), investigated the influence of corporate governance (CG) on the performance of companies. The objectives of this study were to respectively analyze and determine, individually and jointly, the influence of board size, board composition and audit committee size on corporate performance (CP).The study employed exploratory research design. Ten (10) listed firms were chosen through a purposive sampling technique and data extracted from the annual reports of these firms from year 2010 to 2016. A panel data regression was used to analyse the data. CG was proxied with board size (BS), board composition (BC) and audit committee size (ACS) while performance was proxied with net profit margin (NPM). Findings revealed that board size had a significant negative correlation with NPM, board composition had a significant positive correlation with NPM, audit committee size had an insignificant correlation with NPM and board size, board composition and audit committee size had a significant joint effect on NPM. Adesanmi, Sanyaolu, Ogunleye and Ngene (2018), examined the effect of corporate governance on the financial performance of manufacturing companies and banks in Nigeria from 2005 to 2014. The study used proxies such as; the size of the board, audit committee and board independence as proxy for corporate governance. The data for the study were analyzed using the pooled least square method of regression and paired t-test. The pooled ordinary least square regression results showed an R2 of 0.71 (71%) for the manufacturing firms while the R-squared of 0.85 (85%) was obtained for the sampled banks. The study found that there was a positive and significant relationship between Board Size, Board Independence and ROA of the studied companies in the manufacturing and banking sectors. Furthermore, the result of the paired t-test shows that there is no significant difference in the corporate governance structures of Nigerian banks and manufacturing companies.

Theoretical Discussion

Agency Theory

This study was anchored on Agency theory. As it states the relationship between the shareholders and the managers and that is the whole essence of corporate governance mechanism which includes board size, meeting, independence and diversity. Therefore, agency theory appears to be the mother theory of corporate governance from which other theories have sprung up, though, it still suffers some limitations. As agents of the company, directors have a fiduciary duty to the company. A fiduciary duty is a duty of trust. A director must act on behalf of the company in total good faith, and must not put his personal interests before the interests of the company. If a director is in breach of this fiduciary duty he could be held liable in law, if the company were to take legal action against him. Legal action by a company against a director for breach of fiduciary duty would normally be taken by the rest of the board of directors or, possibly, a majority of the shareholders acting in the name of the company. Agency theory was developed by Jensen and Meckling (1976). They suggested a theory of how the governance of a company is based on the conflicts of interest between the company's owners Jensen and Meckling defined the agency relationship as a form of contract between a company's owners and its managers, where the owners (as principal) appoint an agent (the managers) to manage the company on their behalf. As a part of this arrangement, the owners must delegate decision-making authority to the management.

METHODOLOGY

This study used ex-post facto research design which is undertaken after the events have taken place and the data are already in existence. The population and sample size for this study is based on the census population of the twenty two (22) listed consumer's goods firms on the Nigerian stock exchange as at 31th December 2019. The data were obtained from the annual financial reports of the listed consumer's goods firms from 2015-2019, Panel

regression analysis in the form of generalized moment method (GMM) is the main technique used for data analysis.

Model Specification

This study seeks to adopt the model used by Odudu, Okpeh and Okpe (2016), with little modification

$ROA_{it} = \beta 0_{it} + \beta_1 BS_{it} + \beta_2 BI_{it} + \beta_3 BD_{it} + \beta_4 BM_{it} + \beta_5 LEV_{it} + \mu_{it}$

Where,

ROA = Return on Asset
BS = Board Size
BI = Board Independence
BD = Board Diversity
BM = Board Meeting
LEV = Leverage
$\beta_1 - \beta_5$= Regression Coefficients
μ = Error Term
i represents the bank and t the year.

Measurement of Variable

This table indicated the formula used in computing the various variables used in the study

Variable	Measurement Index	Source(s)
ROA	Net profit after tax divided by the total assets	Annual reports and accounts.
BM	Log of numbers meeting held by board of director	Annual reports and accounts
BS	Log of total number of members serving in a firm board.	Annual reports and accounts.
BI	dividing the number of independent members over the board size	Annual reports and accounts.
BD	dividing the number of women directors over the board size	Annual reports and accounts
LEV	dividing total debt by total asset	Annual reports and account

Source: Author's Compilation (2021)

RESULTS AND DISCUSSION

Panel Generalized Method of Moments

Dependent Variable: ROA
Method: Panel Generalized Method of Moments
Date: 08/23/21 Time: 13:33
Sample: 2015 2019
Periods included: 5
Cross-sections included: 20
Total panel (balanced) observations: 100
2SLS instrument weighting matrix
Instrument specification: C BS(-) BI(-) BD(-) BM(-) LEV(-)
Constant added to instrument list

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.135954	0.072747	1.868873	0.0648
BS	0.032262	0.050670	0.636696	0.5259
BI	-0.104820	0.028880	-3.629536	0.0005
BD	0.264807	0.075363	3.513757	0.0007
BM	0.042832	0.047100	0.909387	0.3655
LEV	-0.186340	0.073296	-2.542278	0.0126
R-squared	0.635157	Mean dependent var		0.062210
Adjusted R-squared	0.599793	S.D. dependent var		0.072569
S.E. of regression	0.060724	Sum squared resid		0.346618
Durbin-Watson stat	1.211172	F-statistic		180.8723
Instrument rank	6	Prob (F-stat.		0.0000

Source: Researcher's Computation Using E-Views 9.0, 2021
Decision Rule 5% level of significance

The f-statistic value of 180.8723 is significant at p-value of 0.00 with a Durbin Watson value of 1.21 which indicates that there is present of auto correlation in the analysis. F statistics and p-value implies that there is an evidence of existence of linear effect of corporate governance on the performance of listed consumer good firms in Nigeria. From the regression result, board size coefficient (bs) is positive and insignificant in achieving performance (ROA) of listed consumer good firms in Nigeria. The ROA= 0.13+0.03BS which indicates that ROA of listed consumer good firms in Nigeria will increase by 3% for every 1% increase in board size. The p-value of 0.52 is less than the t-statistic value of 0.63 and the standard error value of 0.05 is less than the t-statistic value. This implies that there is positive and insignificant effect of board size on return on asset of listed consumer good firms in Nigeria. The coefficient of board independence (BI) is negative and significant in achieving performance (ROA) of listed consumer good firms in Nigeria. The ROA= 0.13-0.10BI which indicates that ROA of listed consumer good firms in Nigeria will decrease by 10% for every 1% increase in board independence. The p-value of 0.00 is more than the t-statistic value of -3.63 and the standard error value of 0.02 is more than the t-statistic value. This implies that there is negative and significant effect of board independence on return on asset of listed consumer good firms in Nigeria.

The coefficient of board diversity (BD) is positive and significant in achieving performance (ROA) of listed consumer good firms in Nigeria. The ROA= 0.13+0.26BD which indicates that ROA of listed consumer good firms in Nigeria will increase by 26% for every 1% increase in board diversity. The p-value of 0.00 is less than

the t-statistic value of 3.51 and the standard error value of 0.07 is less than the t-statistic value. This implies that there is positive and significant effect of board diversity on return on asset of listed consumer good firms in Nigeria. The coefficient of board meeting (BM) is positive and insignificant in achieving performance (ROA) of listed consumer good firms in Nigeria. The ROA= 0.13+0.04BM which indicates that ROA of listed consumer good firms in Nigeria will increase by 4% for every 1% increase in board meeting. The p-value of 0.36 is less than the t-statistic value of 0.90 and the standard error value of 0.04 is less than the t-statistic value. This implies that there is positive and insignificant effect of board meeting on return on asset of listed consumer good firms in Nigeria. The coefficient of Leverage (LEV) is negative and significant in achieving performance (ROA) of listed consumer good firms in Nigeria. The ROA= 0.13-0.18LEV which indicates that ROA of listed consumer good firms in Nigeria will decrease by 18% for every 1% increase in leverage. The p-value of 0.01 is more than the t-statistic value of (2.54) and the standard error value of 0.07 is less than the t-statistic value. This implies that there is negative and significant effect of leverage on return on asset of listed consumer good firms in Nigeria. The coefficient of determination (r^2) of 0.63 indicates that 63% of variation in performance in terms of return on asset of listed consumer good firms in Nigeria can explained by corporate governance. The remaining 27% can be explained by other related factors not noted in the regression model.

Discussion of Findings

The results of the analysis indicate that there is positive and significant effect of corporate governance on the performance of listed consumer good firms in Nigeria. This implies that corporate governance significantly contributes to listed consumer good firms in Nigeria. However, the study is in tandem with Urhogide et al (2017) and Adesanmi et al (2018) who found a positive and significant effect on corporate governance on performance. Board size has positive and insignificant effect on Return on Assets (ROA) of listed consumer's goods firms in Nigeria, Board independence has negative and insignificant effect on Return on Assets (ROA) of listed consumer's goods firms in Nigeria, Board diversity (women directors) has positive and significant impact on Return on Assets (ROA) of listed consumer's goods firms in Nigeria and Board meeting has positive and insignificant impact on the Return on Assets (ROA) of listed consumer's goods firms in Nigeria. In the recent content of Nigeria, the quest for good application of corporate governance principles is further strengthened by the desire to attract investments and support rapid economic growth, which constitutes a good reward to both local and international investors. Most business failures in recent times is attributed to failure in the application of corporate governance principles; the initial collapse of banks in Nigeria in the early 1990's and onwards was because of inadequate application of corporate governance principles resulting to insider-related practices such as credit-related abuses, poor risks management techniques and failure of internal control system.

The success or collapse of firms is thus associated with the role acted by the management and firm governance as a process. Consider a broad variety of matters in corporate management, some process such as exposes, rights of voting, rules among others. Board of directors is a collective of people who are nominated by the shareholders of a company and are responsible for making decisions as would be done by them. This became necessary as it would be impossible for shareholders to meet often to make vital decisions regarding the company more especially if the company large number of shareholders spread across the globe. Aspects of board characteristics have gained major consideration globally, especially after waves of company outrages and the disappointments of some major companies globally. The collapse of these enterprises has highlighted the limited role acted by the respective boards through a let-down of corporate governance processes (Ghabayen, 2012). Each wave of corporate scandals over the years has reignited the recent debate on corporate governance. For example, in 1990, the financial crisis in Asia exposed weak checks and balances and governance practices. This led to focus on insider trading (Radelet & Sachs, 1998). Beyond corporate failures, there have been other developments that have contributed to the renewed focus on corporate boards. Heightened dissatisfactions by shareholders due to poor financial performance, falling share value have led to questions being raised on the notch of competency of the management (Sherman & Chaganti 2018).

CONCLUSION AND RECOMMENDATION

Based on the findings from the previous section of this study, the following conclusions are drawn Board size has no significant impact on the financial performance of listed consumer's goods firms in Nigeria, Board independence has negative and significant effect on the financial performance of listed consumer's goods firms in Nigeria and Board diversity (women directors) has positive significant effect on the financial performance of listed consumer's goods firms in Nigeria. The board defines the company's strategy, oversees management and performance, identifies principle risks and opportunities, develops remuneration and staff policy, and reviews internal controls and compliance. Despite existence of working framework, a recent global competitive report ranked Nigeria lowly on governance and accountability, competitiveness, and investor protection thus an indication of a need for a serious need to push forward on corporate governance reform. However, major challenges remain on weak corporate governance practices as revealed through board characteristics that have seen the firms perform poorly in international comparative rankings of governance and competitiveness. In line with the findings from this study, the following recommendations are proffered:

i. To have a significant increase in the financial performance of the consumer's goods firms in Nigeria, the size of the board should be increased. This will give room for more skills, expertise, and experience necessary to improve firm performance.
ii. Consumers goods firms should increase the number of independence director in their various organization because of their significant role in improving the performance of the organization.
iii. The firms need to set up a team which will facilitate research to keep firms up to date on role of gender diversity characteristics. This will improve the impact experienced from the estimated findings. A more varied board of directors enhances good understanding of markets that are differentiated in terms of growing creativity and innovativeness, improved decision-making provided evaluation of more other alternatives.
iv. The frequency of interaction among board members should be increased. As this will enable the board to discuss on operations of the company and how the health and wealth of the company will be improved. Also, manager's actions will be largely monitored. The board meeting frequency should not be too high in order to increase agency costs.

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