Corporate Governance Committees and Sustainability Reporting of Listed Consumer Goods Firms in Nigeria

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ABSTRACT

This study investigated the impact of corporate governance committees (finance, risk, remuneration and audit) on corporate sustainability reporting of 20 sampled consumer goods firms in Nigeria. In order to achieve the above stated objectives, this study employed a correlational research design to analyze data from 20 listed consumer goods firms in Nigerian Exchange Group (NGX) for the period of twelve (12) years (2011-2022) both years all-encompassing. Also, stakeholder's theory was used to underpin this study. The logistic regression result revealed that finance, risk, and audit committees have a statistically positive significant association with sustainability reporting of listed consumer goods firms in Nigeria. While on the other hand, remuneration committee documented a positive but insignificant correlation with sustainability reporting of listed consumer goods firms in Nigeria. This study calls for more studies on corporate governance committees and sustainability reporting in another domain other than the consumer goods firms.

Keywords: risk, finance, consumer, audit, and remuneration

INTRODUCTION

For development and competitiveness, at the present time, corporations persist to strive with a view to advance on the obtainable structures and procedure of their operations (Adamu & Tyasari, 2022). Among the usefulness of financial information is for its users to craft an informed financial decision. Yet, the decision cannot be enough and unswerving if certain material information, for example, sustainability reporting is not well disclosed. However, the existing structure of the board is of dominant importance when it comes to corporate disclosures. The board of directors are the highest body that directs the dealings of company and act on behalf of the owners of the firm (Abdulwahab et al. 2022). Additionally, Yahaya (2022) noted that the objective corporate governance committees are to make certain that the interest of shareholders are prioritize and satisfying the needs of other firms' stakeholders. It is worth noting that corporate governance committees plays a vital role in directing the firms on sustainability related matters (Abdulwahab et al. 2022). Along this line, Adamu and Tyasari (2022) argued that sustainable business environment are functions of the directors' decision on issues for instance, corporate social responsibility (CSR) commitment to stakeholders and society, good corporate relationship with its stakeholders, and strategic action regarding CSR. Firms are considered as successful if they are socially responsible (Rehan et al. 2018).

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Abdulwahab and David (2023) posited that, nowadays economic and social success are now two yardsticks that stakeholders used as a basis for judging whether a firm is successful or otherwise.

The stakeholder theory predicted that the interest of the shareholders and the entire stakeholders of the firms be preserved (Shaheen et al. 2022b). Organizations are to remain vigilant on what will promote the interest of its stakeholders. Bala et al. (2018) posited that entities are accountable on the interests of shareholders and therefore, they are required to be more focus on the wellbeing of both individuals and society. Consequently, Stakeholder theory provides an avenue that allows researchers to integrate hypotheses regarding sustainability reporting activities (Yahaya et al. 2022).

Therefore, effective and sound corporate governance is very important must especially in emerging economies, like Nigeria in particular, which is still trying to regain the confidence of investors both domestic and international (Abdulwahab et al. 2023). All these are as a result of the adverse effect to sustainability reporting that seriously affect corporate entity's performance (Abdulwahab et al., 2022 and Shaheen et al. 2022a).

Considering the importance of sustainability disclosure, a number of researches were conducted in different part of world particularly in relation to sustainability reporting such as Ahmad et al. (2018), Bektur and Arzova (2020), Cicchiello et al. (2021) and Beji et al. (2021) among others. Moreover, similar studies were carried out in Nigerian context such as Ndalu et al. (2021) and Chinonyelum and Ndubuisi (2022) among others. Yet, none of these studies focused on corporate governance committees in relation to sustainability reporting among listed consumer goods firms in Nigeria.

This research focused to achieve and to inspect the role of credit and finance committee, risk management committee, remuneration committee and audit committee on sustainability reporting of listed consumer goods firms in Nigeria for the time frame of 12 years 2011–2022. The precise objective of this study is as narrated below:

1. To examine the cause of credit and financial committee on sustainability reporting of listed consumer goods firms in Nigeria.
2. To investigate the role of risk committee on sustainability reporting of listed consumer goods firms in Nigeria.
3. To examine the effect of remuneration committee on sustainability reporting of listed consumer goods firms in Nigeria.
4. To examine the effect of audit committee on sustainability reporting of listed consumer goods firms in Nigeria.

This research formulated null hypotheses in line with the earlier stated objectives.

$H0_1$ Credit and financial committee has no significant impact on sustainability reporting of listed consumer goods firms in Nigeria.

$H0_2$ Risk committee has no significant effect on sustainability reporting of listed consumer goods firms in Nigeria.

$H0_3$ Remuneration committee has no significant effect on sustainability reporting of listed consumer goods firms in Nigeria.

$H0_4$ Audit committee has no significant effect on sustainability reporting of listed consumer goods firms in Nigeria.

In view of this scenario, this study will examine the effect of corporate governance committees on sustainability reporting of listed consumer goods firms in Nigeria. Regulators, audit committee,

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shareholders, remuneration committee, boards of directors and risk committee stand to benefit from this study particularly on the effectiveness of corporate governance committees. Also, investors, investors, lenders, the wider community, clients, and external auditors, stand to benefit from the results of the study. The remaining part of the paper is divided into five major parts, namely; literature review

LITERATURE REVIEW

Sustainability Reporting

Sustainability consists of three aspects which are economic, environmental and social. The sustainability approach requires including these three aspects in business strategies and reporting the performance about these three aspects (Yahaya et. al. 2022). Sustainability is essentially comprehended as the ability to uphold the functions, processes and productivity of environmental science and ecological systems also in the future. Now there is a general accord that resources of the world progress to depletion limit as a result of the actions of atmosphere and human beings (Abdulwahab et al. 2023).

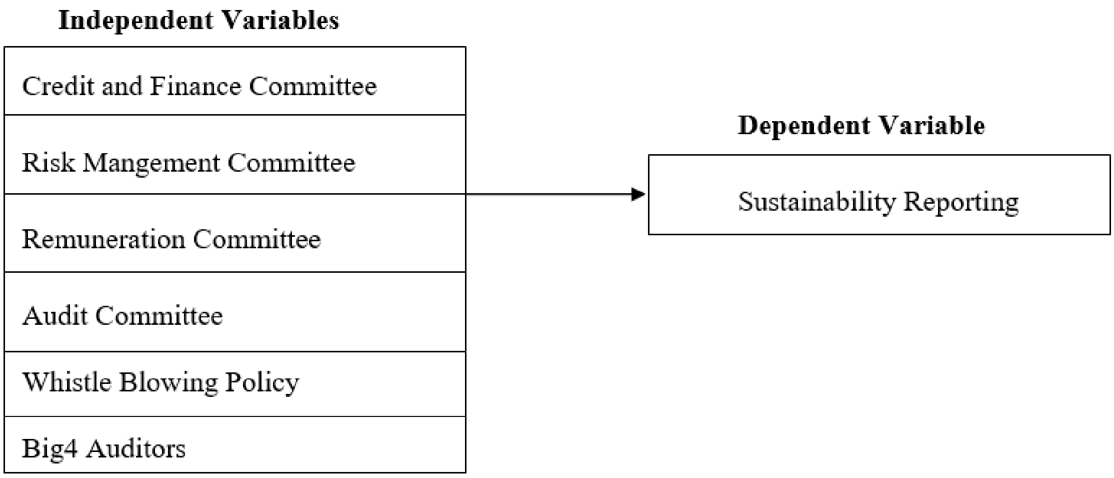
Since sustainability would only be ensured by using the resources of the nature at the speed to enable them automatic renewal, when the concept is appreciated in terms of economy, it is defined as tending towards renewable resources in making process and being accountable for the effects of production activities on environment by handling it with sustainable development (Abubakar et al. 2021).

Corporate Governance Committee

Companies and Allied Matters act (1990) several committees are created inside the board of directors, to enable the boards which are listed publicly to execute their duties in an ethical way (Shaheen et al., 2022b; Dachomo & Bala, 2020; Mustapha et al., 2020; Bala & Kumai, 2015). These includes: risk committee, nomination committee, credit/finance committee, remuneration committee, and information technology committee e.t.c. The key responsibilities of these committees can be listed as follows: supervising the echelon of execution of corporate governance ideologies within the entity, ascertaining the cause for not applying the corporate governance ideologies, recognizing conflicts of interest which could come up due to non-cooperation with pertinent ideologies, providing corrective suggestions to the board regarding corporate governance practices within the entity and supervising the activities of the component accountable for kindred with shareholders within the corporation.

As the result of the foregoing, the figure below represents this study’s conceptual framework.

Figure 1: Conceptual Framework of this Study



Source: Generated by the Authors, 2023

Empirical Review

Basu and Lee (2021) in their study entitled past history of and upshots following economic board usage for the period of fifteen (15) years. They employed a correlational research design. The fixed effects regression model revealed that a feeble connection involving economic board usage and monetary performance. Again, economic boards which are self-governing encompass good performing funds. Economic boards add to reducing the rate of liability for entities with miniature audit committees.

Kahle and Stulz (2017) conducted a dividend payout policy and finance committee in the US public corporation for the time frame of six (6) years. The study adopted a correlational research design. The findings of the research documented a significant and positive correlation connecting dividend payout policy with finance committee.

Malik et al. (2020) examined whether firm performance is strengthened or weakened by the establishment of a board-level risk committee. They used 260 observations from UK FTSE350 firms during 2012–2015 and found risk management significantly and positively affected firm performance. They also found strong board-level risk committee governance complements this relationship. Also, Tao and Hutchinson (2013) examined the role of risk committees in managing and monitoring the risk behaviour of Australian financial firms in the period leading up to the global financial crisis (2006–2008). Using 711 observations of financial sector firms, they demonstrated how risk management committees reduce information asymmetry. The study showed that the composition of risk committees is positively associated with risk management.

Agyemang-Mintah (2016) carried out a study on reward board control and firm performance on financial firms in UK. The study employed a correlational research design. The regression result revealed that remuneration committee is negative and insignificantly correlated with firm performance of UK financial firms.

Also, Jaafar et al. (2015) in their study titled role of reward board in the association involving the board of directors and reward. They employed a correlational research design. The findings documented a significant and association among remuneration committee and board of directors.

Bala et al. (2015) found a significant and positive correlation between the independence of audit committee and earnings management, exploring a sample of 8 companies that are listed on the Stock Exchange of Nigeria listed banks for period 2007-2014. To measure the quality earnings, they used Modified Jones Model (1995). They concerntrated on food and beverages companies.

However, Ifeanyichukwu and Ohaka (2020) examined the effect of audit committee characteristics on financial reporting quality and they found a negative but insignificant relationship between independence and financial reporting quality. This agrees with the work of Moses et al. (2016) in their work showed that audit committee characteristics and quality of financial reporting in quoted Nigerian banks, and confirmed that there is no significant relationship between audit committee’s independence and on earnings management.

METHODOLOGY

This study employed correlational research design as it describes the numerical association amid two or more variables (Abdulwahab et al., 2022; Mustapha et al., 2020; Shaheen et al., 2022; Abdulwahab et al., 2022 and Bala et al. 2022). The population of this study covered the entire listed consumer goods firms in Nigeria whose financial data are available on the floor of NGX for the period of 2011 to 2022. It as a result of the foregoing, BUA foods plc was filtered out due to the non availability of data with the consideration of the period of this study. Therefore, 20 firms mark up the sample size of this study.

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Table 1**:** Variables Measurement and Source

Variables	**Measurements**	**Source**
Dependent Variable		
Sustainability Reporting (SR)	1 is tagged to firm that disclosed sustainability impact information in financial statement, otherwise 0.	Olafusi (2022) and Adamu & Tyasari (2022).
Independent Variables		
Finance Committee (CFC)	1 is assigned to firms that have FC while 0 for otherwise.	Basu and Lee (2021).
Risk Committee (RC)	1 is assigned to firms that have RC while 0 for otherwise.	Yahaya and Yakubu (2022).
Remuneration Committee (REC)	1 is tagged to entities that have REC and 0 for otherwise.	Appiah and Chizema (2015).
Audit Committee (AC)	1 is assigned to entities that have AC and 0 for otherwise.	Abdulwahab et al. (2023).
Control Variables		
Whistle Blowing Policy (WBP)	Firms that report all activities of whistle blowing are tagged as 1 while otherwise 0.	Abdulwahab (2021).
Big4 Auditors (B4A)	1 when a firm is audited by big 4 auditors and 0 when otherwise.	Bala et al., (2022).

Source: Generated by the Authors, 2023**.**

This study employed a multiple linear regression which involves direct model. Thus, the specific model is as stated below:

SR_{it}= β0+β1CFCit+β2RCit+β3RECit+β4ACit+β5WBPit+β6B4Ait+εit

Where:

SR = Sustainability Reporting

FC = Finance Committee

RC = Risk Committee

REC = Remuneration Committee

AC = Audit Committee

WBP **=** Whistle Blowing Policy

B4A = Big4 Auditors

β0 = Constant

β1 – β7 = Co-efficient of SR, FC, RC, REC, AC, WBP, and B4A.

ε = other factors that were not included by this model.

i = Participating firms (i = 20 firms).

t = Time variable (t = 12 years).

RESULTS AND DISCUSSION

4.1 Descriptive Statistics

Descriptive statistics presents the basic attribute of a dataset i.e minimum, mean, standard deviation, and maximum values which are presented in outline and explains the data sample and its measurements.

Table 2. Descriptive Statistics

Variables	Obs.	Min	Max.	Mean	Std. Dev.
SR	240	0.000	1.000	0.185	0.352
FC	240	0.000	1.000	0.256	0.458
RC	240	0.000	1.000	0.586	0.865
REC	240	0.000	1.000	0.195	0.397
AC	240	0.000	1.000	0.253	0.526
WBP	240	0.000	1.000	0.289	0.489
B4A	240	0.000	1.000	0.256	0.368

Source: Extracted from STATA 17 by the Authors, 2023.

As shown in the Table 2, the number of observations is 240 (20 firms over 12 years) and SR averages 0.195 with a spread of 0.352. The minimum and maximum values are 0.000 and 1.000 respectively. Likewise, finance, risk, remuneration and audit committees documented minimum and maximum values of 0.000 and 1.000 squarely.

Table 3. Correlation Matrix

Variables	SR	FC	RC	REC	AC	WBP	B4A
SR	1.000						
FC	0.496	1.000					
RC	0.439	0.185	1.000				
REC	0.254	0.418	0.562	1.000			
AC	0.886	0.219	0.415	0.362	1.000		
WBP	0.324	0.131	0.362	0.251	0.745	1.000	
B4A	0.625	0.256	0.214	0.025	0.035	0.256	1.000

Source: Extracted from STATA 17 by the Authors, 2023.

In summary, Table 3 indicated that finance, risk, and remuneration committees are positively related with sustainability reporting of listed consumer goods firms in Nigeria for the period 2011-2022. Also, the control variables (WBP and B4A) are positively related with sustainability reporting of listed consumer goods firms in Nigeria.

Table 4. Diagnostic Test (Multicollinearity)

Variables	VIF	Tolerance Value	
REC	1.28	0.782	
RC	1.26	0.793	
FC	1.25	0.802	
WBP	1.25	0.811	
B4A	1.22	0.818	
AC	1.20	0.822	
SR	1.19	0.829	
Mean VIF			1.24

Source: Extracted from STATA 17 by the Authors, 2023.

Table 4 found that the variables are free from multicolinearity, this is because none of the VIF of the variables is up to 6 (Gujarati, 1995).

Table 5. Summary of Logistic Regression Model Result

Variables	Coefficients	Standard Error	Z-value	P-value
FC	4.144	0.358	1.58	0.000
RC	0.257	0.302	0.85	0.094
REC	2.604	0.455	-5.72	0.156
AC	1.616	0.196	-8.24	0.000
WBP	3.415	2.075	-1.65	0.250
B4A	0.056	1.523	2.52	0.001
Pseudo R^2				0.574
Wald Chi^2				69.24
Prob. Chi^2				0.000

Source: Extracted from STATA 17 by the Authors, 2023.

Table 5, revealed that finance committee has a positive and significant relationship between sustainability reporting of listed consumer goods firms in Nigeria, evidenced from the coefficient value of 4.144 and p-value of 0.000 with a significant level at 1%. This signifies that finance committee significantly enhances sustainability reporting of listed consumer goods firms in Nigeria within the period of this study. Also, risk committee has a positive and significant relationship between sustainability reporting of listed consumer goods firms in Nigeria, evidenced from the coefficient value of 0.257 and p-value of 0.094 with a significant level at 10%. This signifies that risk committee significantly enhances sustainability reporting of listed consumer goods firms in Nigeria within the period under review.

Similarly, audit committee has a positive and significant relationship between sustainability reporting of listed consumer goods firms in Nigeria, evidenced from the coefficient value of 1.616 and p-value of 0.000 with a significant level at 1%. This signifies that audit committee significantly enhances sustainability reporting of listed consumer goods firms in Nigeria within the period of 2011 to 2022. Hence, the formulated null hypotheses one, two and four are therefore rejected.

While, remuneration committee documented a positive insignificant correlation with sustainability reporting of listed consumer goods firms in Nigeria, evidenced from the coefficient value of 2.604 and p-value of 0.156 with no significant at any level. This signifies that remuneration committee does not significantly enhance sustainability reporting of listed consumer goods firms in Nigeria within the period of 2011 to 2022. Thus, this gives the footing to accept the third formulated null hypothesis.

For control variables, whistle blowing policy revealed a positive but insignificant impact with sustainability reporting of listed consumer goods firms in Nigeria. Whereas, big 4 auditors documented a positive and statistical impact on sustainability reporting of listed consumer goods firms in Nigeria for the period of 2011 to 2022.

Lastly, this model explained sustainability reporting at 69%, while attributing the remaining 31% to other variables not captured by this model (random error term).

CONCLUSION AND RECOMMENDATIONS

This study examines the effect of corporate governance committees on sustainability reporting of listed consumer goods firms in Nigeria. This study concludes that finance, risk, remuneration, and audit committees has a positive and significant relationship between sustainability reporting of listed consumer goods firms in Nigeria. While, remuneration committee shows a positive with an insignificant association on sustainability reporting of listed consumer goods firms in Nigeria. However, this study calls for more studies on corporate governance committees (such as board committee and information technology committee) and sustainability reporting in another domain other than the consumer goods sector.

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