Board Capital and Market Performance of Listed Consumer Goods Firms in Nigeria

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ABSTRACT

The increasing public concern for credibility and human capital reputation have greater the need to query the value driven potential of companies' boards. The study investigated the effect of board capital on market value of firms using board education, board prestigious education, board interlocking and board members external roles as study focus. Data were sourced from the annual reports of listed consumer goods firms for the period of 2013 to 2022. The study covered the entire 20 consumer goods firms listed on the Nigeria Exchange Group as at 31st December, 2022 using census sampling method. Data collected were analysed using descriptive statistics, correlation analysis, and pooled panel least squares regression analysis. The findings from the study reveals significant negative effect of board education on market performance, board prestigious education exhibited significant positive effect on market performance. Also, board interlocking shows significant positive effect on market performance while board members external roles exhibited insignificant negative effect on market performance of consumer goods firms in Nigeria. The study concludes that the quality of the members that constitutes the boards of Nigeria companies, enhances their market performance. The study recommends that firms should consider prioritizing board members with prestigious educational backgrounds and strategically foster board interlocking relationships. Additionally, firm should re-evaluate the impact of general board education and external roles to align with market performance goals.

Keywords: Board capital, board education, board prestigious education, board interlocking, earnings per share.

INTRODUCTION

In the modern era of globalization, the market performance has been a matter of public concern to the global audience (Usman & Yahaya, 2023). This concern arises due to ways of maximizing stakeholders' expectations regarding the returns on investment, market efficiency and long-term value creations. Various steps have been put forward by companies towards the growth and development of market performance in order to attract funds from both potential and existing investors (Musa & Yahaya, 2023). As a result, market performance plays a crucial role on how well businesses succeed as it serves as a measure of the firm's acceptability and marketability in the financial market. In addition, value of firms is majorly determined by the external forces of the market (Awen et al., 2022). Hence, market performance can be considered as an essential part of shareholders' wealth maximization. Consequently, the recent decline in shareholder trust and confidence in companies has led to public concern on the relationship between board capital and market performance.

This decline in the global financial market has provided researchers with an opportunity to find out the causes as due to lack of transparency, social financial abuse, social responsibility majorly on the disposition of managers in taking strategic decisions. These losses of confidence have resulted in the fall in share prices and overall valuation of the firms. In the case of Nigeria, economic volatility, infrastructure deficiency, foreign exchange instability, political instability, complex regulatory framework, security risk, social and economic inequality, insider trading, corruption and governance challenge affect market performance (Usman & Yahaya, 2023). Market performance is therefore, an important process used by firms (Bhojraj & Lee, 2022) and is affected by board capital factors such as board education, board prestigious education, board interlocking and board members external roles (Hillam & Dalziel, 2023). These factors have been argued by researchers as

having a role in determining market performance (Nicholas et al., 2023).

Consequent upon the decision to enhance market performance, corporate organizations are driven to establish strong relationships with stakeholders. This fosters trust, loyalty, innovation, a positive public image, and ultimately leading to healthy returns on investment through the influence of board capital (Awen et al., 2022). Therefore, board capital is a key determinant of market performance (Chong et al., 2023). It is referred to as the collective skills, knowledge, experience, and networks possessed by the members of a company's board of directors. It encompasses the human capital, social capital, and reputational capital that directors bring to the boardroom (Eze & Orjinta, 2021). Hence, companies all over the world have started seeking ways of maximizing stakeholders' expectations regarding the returns on investments, market efficiency and long-term value creations (Usman & Yahaya, 2023). This has, therefore, increased studies (Mustapha et al., 2020) on market performance of companies. Nevertheless, differences in market performance have been looked at in relation to company's characteristics (like firm size, liquidity, profitability) and market performance in Nigeria (Isaac & Ayodeji, 2024), while few studies have investigated board capital and market performance in Nigeria (Okolie & Uwejeyan, 2022; Adebayo et al., 2022) despite increasing emphasis on the performance of market.

Moreover, a dearth of literature has been on the effects of the board capital on market performance, (Ivashkovskaya et al. 2023). Board capital is a part of UK corporate governance mechanism and other countries have incorporated it into their books. For instance, Yousaf et al. (2022) looking at board capital and firm value, were able to draw out the inference that board education and board experience increases performance of tourist firms in China. Azlina et al. (2022) also observed that in Indonesia corporation, board of directors and their external role tend to be more independent. As a result, this study has a direction towards investigating the possible influences that board of directors have on the performance of the firm. Unlike previous studies such as (Mbithi et al., 2023; Zakia & Mohamed, 2024), dwelt on gender diversity, board independence and focused on the whole listed firm as well as listed banks in a country. Other studies have been able to capture and make use of financial performance parameters like profitability (Return on equity (ROE), Return on asset (ROA), Return on investment (ROI)) and Market value (Tobin's Q, Earnings predictability, earnings management), but there is need to explore the growth aspect of market performance with regard to Earnings per share.

Additionally, previous research on board capital has predominantly focused on proxies such as board gender diversity, size, independence, CEO duality, and connections, with inconsistent findings on their impact on firm value (Chong et al., 2023; Gordon et al., 2023; Liu et al., 2024). Rather than directly assessing factors like board prestigious education, director interlocking, and external roles that can enhance board knowledge and influence market performance, earlier studies often relied on measures such as board expertise, experience, education, connection and meeting frequency (Kontesa et al., 2020; Reeb & Zhao, 2023; Ayokunle et al., 2024). This gap is particularly evident in Nigerian research, which has yet to explore these specific factors in relation to market performance among listed consumer goods firms, despite their significance in other industrialized and developing nations (Davis et al., 2021; Hillman & Dalziel, 2023). Therefore, this study aims to bridge this gap by examining how board education, prestigious education, interlocking, and external roles impact market performance in Nigerian consumer goods firms, providing unique insights into the convergence of board capital and market success.

In the light of the above, this study basically investigates the effect of board capital on market performance of listed consumer goods firms in Nigeria.The choice of consumer goods firms is premised on expansion in operational boarders, capital markets and economic development. The study is limited to board capital attributes such as board education, board prestigious education, board interlocking, and board members external roles in order to meet this goal. In addition, earnings per share (EPS) was used to measure the market performance.

Furthermore, there are five sections to this study, an overview of the study was covered in the first part. Part two of the study covers the conceptual, theoretical, and empirical assessments of the literature, while the third part addresses the methodology. The data presentation, analysis, and hypothesis testing are covered in part four, and the study's summary, conclusion, and recommendations are covered in section five.

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LITERATURE REVIEW

The conceptual review, theoretical review, empirical review, and gap identification that support board capital and market performance are the main parts of this section.

Conceptual Review

The conceptual literature, which explores opinions on the several ideas pertinent to the investigation, served as the foundation for this part thus:

Market Performance

Market performance refers to the evaluation of a company's financial performance and shareholder value in the stock market. It reflects the company's ability to generate returns for its shareholders and is influenced by various internal and external factors, including management decisions, industry dynamics, economic conditions, and investor sentiment (Usman & Yahaya, 2023). In addition, the shareholder wealth maximizing objectives of the corporate entities is directly linked to the enhancement of market value (Awen et al., 2022). As a result, market value is directly related to financial performance. Chong et al. (2023) opined that firms with higher cash flows and profits will attract more investors who will be willing to pay higher stock prices thereby enhancing the market performance. Market performance is generally taken to mean an economic measure reflecting the stock price, earnings per share, market value added of a whole business or summation of claims to all contributors to the assets of the firms (Musa & Yahaya, 2023).

The company's market performance is a factor considered by investors in investing (Agustina & Ardiansari, 2020). Good market performance will attract investors to invest. Financial statements are used as a measurement of market performance. Financial statements contain a variety of important information including market share, earnings per share, market capitalization, market value added, Tobin's Q, price earnings ratio, total shareholder returns and returns on investment (Usman & Yahaya, 2023). Bhojraj and Lee (2022) define market performance as the change in the market value of a firm's common equity and debt securities over time. In this study, market performance is proxied by earnings per share (EPS) and the justification for EPS was that EPS has significant impact on stock prices that allows for easy comparison of profitability across different companies within the same industry or sector, regardless of their size or capital structure. It is also the most generally and acceptance measure for market performance in the extant literature (Mustapha et al., 2020; Bhojraj & Lee, 2022).

1. Board Capital

The oversight role of public company's board of directors remains limited due to the absence of meaningful measures of advising quality (Coles et al., 2020). To provide superior advice to management, a board needs to possess expertise and firm-specific skills (Kontesa et al., 2020). Resource dependence theory considers a board as the provider of resources to their firm (Pfeffer & Salancik, 2021), which can be in the form of board capital. Hillman and Dalziel (2023) argue that board capital reflects the diversity, expertise, and effectiveness of a board of directors in fulfilling its fiduciary duties, overseeing management, and driving organizational performance. It encompasses both tangible and intangible assets that contribute to board effectiveness and stakeholder value creation. Kontesa et al. (2020) opined that board capital is the collective skills, knowledge, experience, and networks possessed by the members of a company's board of directors. It encompasses the human capital, social capital, and reputational capital that directors bring to the boardroom.

The term "human board capital" encompasses the qualifications, experience, knowledge, and competence of those on a firm's executive leadership team or board of directors. "Social board capital" refers to the collective social networks, relationships, and connections directors use to gather information, resources, influence, and facilitate interpersonal dynamics within the organization. "Reputational board capital" is the intangible value or asset an individual or entity gains based on its reputation, credibility, and standing with stakeholders, including customers, investors, employees, regulators, and the public. This reflects the level of trust, goodwill, and positive perception earned through actions and interactions over time (Coles et al., 2020). Board capital

significantly impacts corporate governance effectiveness, market performance, and stakeholder value creation (Hillman & Dalziel, 2023).

This study therefore, focuses on board capital, utilizing indicators such as board education, prestigious education, board interlock, and external roles of board members.

2. Board Education

Board education, as an element of board capital, refers to the formal educational background of board members, encompassing their degrees, certifications, and ongoing professional training. It plays a crucial role in equipping directors with the necessary knowledge and critical thinking skills for strategic decision-making, which can ultimately support effective governance and enhance firm performance (Smith & Garcia, 2022; Kim & Li, 2023). However, board prestigious education, a distinct facet within board capital, specifically emphasizes educational credentials from elite, high-ranking institutions. Such prestigious qualifications not only offer advanced technical skills but also contribute to reputational capital, as they are often associated with enhanced credibility, stronger networks, and higher social standing (Jones & Turner, 2023; Ahmed & Chen, 2024). Prestigious educational backgrounds are particularly valuable in influencing external perceptions and investor confidence, which can have a notable effect on a firm's market performance distinct from general board education (Liu et al., 2022; Roberts & Singh, 2023). This distinction highlights how prestigious education adds unique dimensions to board capital by blending advanced expertise with influential social capital, potentially providing boards with both skill-based and reputational advantages.

3. Board Prestigious Education

Board prestigious education, as a component of board capital, refers to educational credentials from elite, globally recognized institutions, such as Ivy League or top international universities. This form of education not only provides board members with advanced technical and leadership skills but also carries substantial reputational value, enhancing the perceived credibility of the board and signaling quality to investors and stakeholders (Park & Kim, 2022; Harrison & Lee, 2023). Unlike general board education, which encompasses any formal educational background and provides foundational skills for corporate governance, prestigious education is particularly valuable for its strong social capital, extensive networks, and the influence it affords in high-level business circles (Choi et al., 2023; Zhou & Carter, 2024). Studies have shown that board members with prestigious education contribute uniquely to firm performance by attracting investor confidence and strengthening the firm’s competitive advantage through high-status affiliations (Ahmed & Patel, 2023; Green & Liu, 2022). This distinction underscores the added value of prestigious education within board capital, as it combines technical knowledge with influential connections that can enhance both governance quality and market performance.’

4. Board Interlocks

Board Interlocks have been a common practice in corporate governance, facilitating information exchange, networking, and collaboration among companies. However, they also raise concerns about potential conflicts of interest, insider connections, and the concentration of power among a small group of individuals (Davis, 2020; Fich & White, 2021). Board interlocking relationships refer to situations where individuals serve on the boards of multiple companies simultaneously (Yen & Kuo, 2022). This phenomenon has been prevalent in corporate governance for decades and can have implications for board effectiveness, decision-making, and market performance (Yim et al., 2022;). Mizruchi an Stearns (2021) define board interlocking relationships as the connections formed when individuals serve on the boards of multiple corporations, facilitating social networks, information exchange, and resource sharing among companies. In addition, interlocking directorates refer to the pattern of relationships among corporate elites, characterized by the concentration of power, influence, and social capital within a network of interconnected directors and executives (Mizruchi & Koenig, 2020).

5. Board Members External Roles

In the modern corporate governance landscape, boards are expected to take on more of an active and visible

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role in representing stakeholders' interests and bolstering the legitimacy and reputation of their corporate entity (Dahya et al., 2022; Gordon et al., 2023). Board external roles refer to the responsibilities and activities undertaken by board members beyond their traditional governance functions within the organization. In order to perform these external roles, board member frequently interact with outside parties such investors, regulators, community, and trade association (Bruce & Nada, 2020; Agrawal & Knoeber, 2022; Westphal & Zajac, 2023). Jackson and Levant (2022) define board external roles as the activities undertaken by directors to interact with external stakeholders, advocate for the organization's interests, and enhance its reputation and legitimacy in the broader community". Hillman et al. (2022) asserted that board members external roles encompass the responsibilities of directors to represent the organization's interests in external forums, engage with stakeholders, and contribute to the organization's social and environmental objectives.

Board Capital and Market Performance

The relationship between board capital and market performance has garnered significant attention in corporate governance literature. Board capital, encompassing the skills, experiences, and networks that board members bring, is often seen as a critical driver of firm performance. Studies from recent years suggest that firms with higher board capital—particularly in terms of diverse expertise and industry-specific knowledge—tend to exhibit better market performance. For instance, Yasser et al. (2023) found that companies with boards possessing substantial financial and strategic expertise had a positive impact on market value, as measured by Tobin's Q. The ability of such boards to make informed decisions, provide effective oversight, and manage risks contributes to enhanced market confidence and performance.

Additionally, the social capital of board members—reflected in their external networks and affiliations—can further boost market performance. According to Wang and Sun (2022), board members with strong external connections can access critical resources and information, improving a firm's strategic positioning in competitive markets. This external knowledge flow allows firms to tap into new opportunities and trends, fostering innovation and competitive advantage. In turn, these strategic benefits positively influence stock prices and investor perceptions. Moreover, board members with political and institutional connections can help firms navigate regulatory challenges, minimizing risks that could harm market performance.

However, the relationship between board capital and market performance is not always straightforward. While boards with extensive expertise and networks generally perform better, an overly homogenous board with similar expertise might limit innovation and risk-taking, negatively impacting long-term market performance. As noted by Zhang and Li (2022), diversity in board capital, particularly in terms of gender and ethnic backgrounds, enhances the board's ability to offer varied perspectives, leading to improved strategic decisions that support market performance.
The research emphasizes the importance of balancing specialized knowledge with diversity to maximize board effectiveness and positively impact market outcomes.

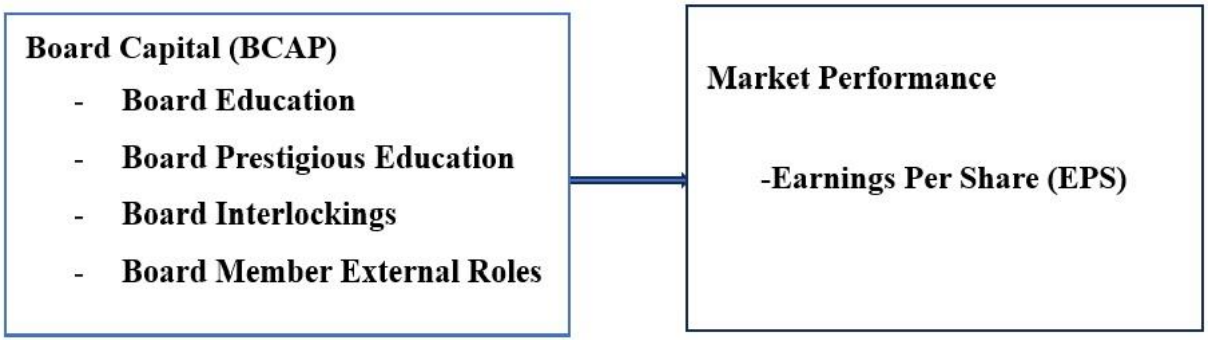

Figure 1. A conceptual framework illustrating the connection between board capital and market performance

Source: Author's design (2024)

This conceptual framework aims to demonstrate the connection between the dependent and independent variables. Market performance is the dependent variable, while board capital (including factors like board

education, prestigious educational backgrounds of board members, board interlockings, and the external roles held by board members) acts as the independent variable.

Theoretical Review

This research study is situated within the framework of resource dependency theory.

Resource Dependency Theory

Resource dependency theory (RDT) was propounded by Jeffrey Pfeffer and Gerald Salancik in 1978, although its development and influence have continued to evolve over the years. The theory posits that organizations depend on external resources such as information, expertise, and legitimacy to survive and thrive (Kontesa et al., 2020; Pfeffer & Salancik, 2021). These corporate resources are often acquired through relationships and exchanges with external entities (Hillman & Daiziel, 2023). The assumption of resource dependency theory as outlined by Pfeffer and Salancik, (2021) is that organizations are dependent on external resources to achieve their goals. Resource dependencies create interdependencies and power asymmetries between organizations and their external environment and organizations engage in strategic behaviours to manage and mitigate dependencies, including forming alliances, diversifying resource sources, and controlling critical resources.

Moreover, the resource dependency theory may be used to comprehend how external dependencies and market performance are related. To preserve their legitimacy and access to resources in this setting, organisations would rely on a variety of resources, including technical infrastructure, board educations, social connections, reputation, and intellectual capital (Kiel & Nicholson, 2022). Kontesa et al. (2020) have pointed out several limitations of resource dependency theory such as deterministic view of organizations as passive recipients of external influences and its relatively static view of resource dependencies. Hillman et al. (2021) argue that resource dependency theory oversimplifies the complex dynamics of organizational behavior and overlook the agency and strategic actions of organizational actors in managing dependencies. Resource dependency theory underscores the importance of boards in managing external dependencies and acquiring critical resources to enhance market performance.

Boards serve as strategic intermediaries between the organization and its external environment, leveraging their networks, expertise, and authority to access and control essential resources. By understanding and actively managing resource dependencies, boards can enhance organizational resilience, competitiveness, and ultimately market performance (Reeb & Zhao, 2023). Resource dependency theory offers insights into how boards of directors navigate their external environment to acquire and leverage critical resources that contribute to firm performance and market success. Specifically, RDT helps to understand: how boards identify and prioritize key external resources necessary for organizational success; the role of interorganizational relationships, such as partnerships and alliances, in resource acquisition and exchange; and how boards manage power dynamics and dependencies with external stakeholders, including regulators, suppliers, and strategic partners. By applying resource dependency theory principles, boards can manage external dependencies and acquiring critical resources to enhance market performance.

Empirical Review

This section of the study reveals the empirical reviews of extant literature relating and relevant to board capital and market performance.

Yousaf et al. (2022) studied the effect of board capital on the performance of China's tourism industry using a quantitative research design. Secondary data from tourism companies listed on the Chinese Stock Exchange from 2005 to 2018 were sourced. The study employing descriptive and inferential statistics, along with multiple robustness tests and conventional least square regressions. Tobin’s Q was used as a proxy for firm value, while board capital classified into social capital (proxy with interlocks, director’s external roles) and human capital (proxy by education, prestigious education, and experience). The results showed that board interlocks, board external roles, prestigious education and expertise positively impacted company value, while board education had a negative impact. The study did not consider the manufacturing sector of the Chinese

economy, suggesting that future research should explore the impact of board capital on the earnings per share of listed manufacturing firms in developing economies, particularly Nigeria, for a more comprehensive comparative analysis.

Azlina et al. (2022) conducted a study on the impact of board capital on market performance in Indonesia, employing an ex post facto research design. The research utilized data from the annual reports of selected manufacturing companies listed on the Indonesian Stock Exchange between 2014 and 2020, using a simple random sampling technique. The data were analyzed through both descriptive and inferential statistics, with the latter guided by multiple regression analysis. The results revealed that board capital does not significantly influence share price performance. However, board member external roles and board independence were found to negatively affect share prices, whereas board education, prestigious educational backgrounds, and board interlocking showed positive relationships with share prices in Indonesian listed manufacturing companies. Conducted in a developing country, this study suggests the need for similar research to be replicated in Nigeria to verify the variables showing mixed results.

Mbithi et al. (2023) investigated the influence of board-related and firm-specific drivers on the firm value of publicly listed companies in Kenya from 2012 to 2021. Using secondary data collection methods, their multiple regression analysis of 70 sampled firms demonstrated that factors such as board composition, board outside responsibilities, board education, board gender diversity, board interlocks, frequency of board meetings, and the firm's listing age had varied and significant effects on firm value. The study's results indicate that these board-related and firm-specific characteristics collectively influence firm performance, though the impact of each factor may differ. To enhance the generalizability of these findings, future research could replicate this study in Nigeria, particularly within the manufacturing sector, and extend the observation period to provide deeper insights.

Ivashkovskaya et al. (2023) examined the relationship between board capital and business performance in Russian firms operating within emerging markets. Utilizing Ordinary Least Squares (OLS) regression and content analysis on secondary data from the annual reports of 89 publicly traded companies, the study revealed that, even with Russia's relatively nascent governance structures, board capital significantly influences firm performance. Key findings highlighted that CEO education, prestigious education, connection, board gender diversity, board size, and overall diversity in board capital positively and significantly impact company performance. Additionally, the study suggested that directors' prior industry and management experience enhance firm success, recommending these factors be considered when selecting new CEOs. To enhance the generalizability of these findings, future research could replicate this study in Nigeria and explore board capital variables such as board education, prestigious education, board interlocking, and external roles of board members in the manufacturing sector.

Nicholas et al. (2023) conducted a study in South-African on the relationship between corporate board structure, board capital and market performance of 366 banks from 26 Africa countries for the period 2007 to 2015. The study employed ex post facto research design and purposive sampling technique. A generalized method of moments and panel-corrected standards error estimation were used to estimate panel regression. Secondary source of data was obtained from annual reports of sampled bank. The market performance measured with share price. The study provided empirical evidence that corporate board structure and board capital (proxy with board interlocking, board prestigious education, board expertise and board external roles) affect the market performance of selected listed banks positively but its effect on manufacturing companies were not considered. Hence, the study could be expanded to include manufacturing companies to provide a more comprehensive picture of the effect of corporate board structure and board capital on market performance.

Usman and Yahaya (2023) used ex-post facto research designs to investigate the effects of board attributes on firm value of listed conglomerate firms in Nigeria for the years 2009 to 2021. Secondary data for the study came from the annual reports of the listed companies. Tobin' Q, and earnings per share were used as proxy measures for firm value, whereas board education, experience, connection, size, CEO duality, and gender diversity are examples of board qualities. Two types of statistics were used to analyse the data: inferential and descriptive. The findings showed that independent factors affect earnings and dividend per share both

favourably and unfavourably. While there are still challenges to be addressed before other manufacturing companies in the country can be certain of this influence, the study revealed inconsistent findings on the relationship between independent variables and the Earnings per Share (EPS) of selected listed Nigerian companies. Future studies can focus more on Nigerian companies that is consumer firms in order to allow for more accurate generalisation.

Aernan et al. (2023) investigated the relationship between the financial performance of Deposit Money Banks (DMBs) in Nigeria and board characteristics. Using an ex post facto research design and a basic random sampling approach, the study covered the period from 2011 to 2020. Secondary data from annual reports were analyzed using pooled ordinary least squares regression, panel fixed effect regression, and descriptive regression. The results indicated that board size, education, gender diversity, and interlocks positively and significantly impacted financial performance, measured by Tobin's Q, while CEO duality and board diligence showed no significant relationship. The study provided empirical evidence that the attributes of DMB boards influence their performance, suggesting that future research should also consider manufacturing companies to give a more comprehensive understanding of the impact of board characteristics on market performance.

Ayokunle et al. (2024) conducted a decade-long study on selected Nigerian oil and gas companies, analyzing how various board capital characteristics impact corporate performance. Using secondary data from annual reports and Ordinary Least Squares (OLS) regression analysis, they examined board size, independence, gender diversity, education, frequency of meetings, and external roles against return on equity. The study found that board education and gender diversity positively correlated with corporate performance, while board size and independence had negative correlations. Board meetings and external roles showed no significant impact. The study, focused on specific board metrics in the oil and gas sector, recommends future research to include prestigious education, board interlocking, and a broader industrial scope to better understand board capital's influence on profitability.

Erin and Ackers (2024) researched the governance practices of corporate boards, assurance, and sustainability reporting in several Sub-Saharan African countries. The study purposively sampled 80 companies from eight countries and analyzed secondary data from annual reports using descriptive and inferential statistics, content analysis, and ordered logistic and probit regression models. Their findings indicated that corporate board capital—encompassing board interlocks, education, and gender diversity—along with assurance through audit committee variables, positively and significantly influenced the sustainability reporting practices of the selected firms.

Zakia and Mohamed (2024) studied board characteristics and firm performance across 34 Egyptian listed non-financial enterprises from 2015 to 2021. The study engaged purposive sampling to obtain data, which was then analysed using descriptive and inferential statistics, regular least square regression. The study looked at how board gender diversity, board size, board education, board networking, and board experience, as independent factors, affected the quality of ESG (Environmental, Social, Governance) and integrated reporting disclosure. The control variables were company size, inventory intensity, capital intensity, and board independence.

Gap in Literature

The present study highlights a significant gap in the conceptualization of board capital. While Aernan et al. (2023) and Ayokunle et al. (2024) focus on factors like board gender, independence, education, and size on firm value, Zakia and Mohamed (2024) emphasize on board networking and experience on financial performance. Yim et al. (2022) and Gordon et al. (2023) explore board connections, roles, and external duties organizational performance, while Wang and Sun (2022) concentrate on the role of social capital on market performance. Yasser et al. (2023) limit their research to the impact of board financial expertise on firm value, and Zhang and Li (2022) examine the effect of board diversity on market value. However, critical factors such as prestigious education, interlocking, and external roles on market performance have been largely overlooked. This study fills this gap by incorporating these variables, utilizing comprehensive measures from Bruce and Nada (2020), Kontesa et al. (2022), Yen and Kuo (2022), and Ruland (2023). While previous studies have linked board capital to financial performance through metrics like return on equity and Tobin’s Q, this research will assess its impact on market performance, focusing on earnings per share.

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Geographically, existing research has predominantly centered on advanced countries or specific regions like United Kingdom, United State of America, Malasia, China, Indonesia, South Africa, Kenya, and Russia, leaving the Nigerian context underexplored. Methodologically, studies such as those by Usman and Yahaya (2023) and Ayokunle et al. (2024) employed both cross-sectional and longitudinal designs, integrating primary and secondary data, and using Cochran's formula for sample size determination. However, most of the existing literature on the relationship between board capital and market performance studies offer limited empirical support for the resource dependency theory, often favoring agency theory instead. To address these gaps, this study will examine the Nigerian capital market and the relationship between board capital (including board education, prestigious education, interlocking, and external roles) and market performance, using resource dependency theory to provide deeper insights into board capital's influence.

This research aims to explore the effect of board capital on market performance, particularly within the Nigerian context. By incorporating overlooked variables and applying resource dependency theory, it seeks to contribute to a more comprehensive understanding of how board capital influences firm performance, with an emphasis on earnings per share as a key measure of market success.

Given the above considerations, the null hypotheses for the study was stated as follows:

Ho1: Board education has no significant effect on the market performance of Nigerian listed consumer goods firms.

Ho2: Board prestigious education has no significant effect on the market performance of Nigerian listed consumer goods firm.

Ho3: Board interlocking has no significant effect on the market performance of Nigerian listed consumer goods firms.

Ho4: Board members' external roles have no significant effect on the market performance of Nigerian listed consumer goods firms.

METHODOLOGY

This study employed a longitudinal design, examining all 21 consumer goods firms listed on the Nigeria Exchange Group as of December 31, 2022, given the relatively small population size (see Appendix 1). A census sampling approach was used to include every firm in the study. Due to data availability, a sample size of 20 firms was achieved, resulting in 200 data points, each containing 10 years of records from 2013 to 2022. The study utilized secondary data sources, with information on board education, prestigious board education, board interlocking, board members' external roles, and earnings per share obtained from the annual reports of the selected firms. The research covers a ten (10) year's period i.e. from 2013 to 2022. Thus, is because time frame reflects contemporary market conditions, significant technological advancements, regulatory environments, and corporate governance practices. The data analysis involved the use of descriptive statistics, correlation analysis, and pooled panel least squares regression, along with conventional diagnostic tests (Hausman test) to validate regression assumptions.

Model Specification

For the purpose of measuring the effect of board capital on market performance, an econometric model was adapted from the study of Kontesa et al. (2020). This study modified the model formulation used to investigate the effect of board capital on the firm performance of Indonesia firm that were publicly traded.

This model was put in simplicity linear form as follows:

$$FPit = \beta0 + \beta1NETWit + \beta2EDUit + \beta3EXPit + \beta4FSIZEit + \beta5DEBTit + Uit$$

Where: FP = Firm Performance; NETW = Board networking; EDU = Board Education; EXP = Board Experience; FSIZE= Firm Size; DEBT= Firm debt.

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This study modified the adapted model by substituting Earning per Share (EPS) as a surrogate for market performance for the dependent variable, Return on Asset (ROA); Board interlocking (BINL) for board networking (NETW) because board interlocking reflecting the interconnectedness, power dynamics, and resource dependencies within the corporate landscape; Board education (BED) should remain and; Board member external role (BMER) should be used in place of board experience (EXP) because board members' external roles offers a more comprehensive and contemporary perspective on corporate governance, by reflecting the increasing complexity, diversity, and interconnectedness of boardroom dynamics and stakeholders' expectations. Also, the control variables, firm size (FSIZE) and Firm debt (DEBT) were overlooked for the study model. The new introduced variables will enhance the market performance.

Thus, below is the study model with the linear representation:

EPS= f(BED, BPED, BINL, BMER)……..…(1)

The model for econometrics will be:

EPSit=β0 + β1 BEDit + β2 BPEDit + β3 BINLit + β4 BMERit + μit…….……..……(2)

Where: EPS = Earnings per Share; BED = Board Education; BPED = Board Prestigious Education; BINL = Board Interlocking; BMER = Board Members External Roles; i = company; t = time; μit = error term; β0 = constant/intercept; β1 – β4 = slope of the independent elements.

The researcher a priori expectation based on extant literature is as follow: β1> 0, β2>0,β3 >0, β4 >0

Measurement of Variables

This study utilized four independent variables and one dependent variable, which are defined and measured as follows:

Table 1: Variables Description and Measurements

S/N	Variable (s)	Description	Measurement	Source
1	Board Education (BED) (Independent)	It refers to the general formal education of board members, including their degrees, certifications, and relevant training programs that equip them with the necessary knowledge and skills for governance and decision-making.	Weighted average number of scores of "3" for any director with a highest qualification of Ph.D Degree, "2" for directors with qualification of Master Degree and a score "1" for director with highest qualification of First Degree.	Yasser et al. (2023), Ayokunle et al. (2024)
2	Board Prestigious Education (BPED) (Independent)	It refers to educational qualifications obtained from highly ranked, elite institutions (e.g., Ivy League universities, top global institutions) that are associated with high credibility, advanced expertise, and influential professional networks.	Weighted average number of scores of "2" for any director within the Time Higher Education (THE) ranking of 1-500 University or business schools in the world, "1" for director that falls within the ranking of 501–1000, while a score of "0" will be for director with no prestigious education.	Ruland (2023), Gordon et al. (2023), (World University Rankings (2023) Times Higher Education (THE)).
3	Board Interlocking (BINL)	It is the connections formed when individuals serve on the boards of multiple corporations,	Proportion of directors who has directorate position in other companies to the total numbers of	Yen & Kuo (2022), Zakia &

	(Independent)	facilitating social networks, information exchange, and resource sharing among companies.	directors on the board of the parent company	Mohamed (2024)
4	Board Member External Roles (BMER) (Independent)	It refers to the responsibilities and activities undertaken by board members beyond their traditional governance functions within the organization.	Proportion of directors that has other responsibility outside being a board member of another company to the total numbers of directors on the board of the parent company	Wang & Sun (2022), Yasser et al. (2023)
5	Earnings per Share (EPS) (Dependent)	It is the financial metric that represents the portion of a company's profit allocated to each outstanding share of common stock for a company.	Net income - preferred dividends / weighted average number of common share outstanding	Efuntade et al. (2022), Ruland (2023)

Source: Author's Compilation (2024).

DATA ANALYSIS AND DISCUSSION OF FINDINGS

This section presents the preliminary regression analysis, which includes descriptive statistics, correlation analysis, post-estimation tests, and regression analysis with panel-corrected standard errors.

Descriptive Statistics Analysis

The descriptive analysis in Table 2 reveals that earnings per share (EPS) has a mean of 1.2156 and a standard deviation of 1.5790, indicating moderate variation, with a standard error of 0.1116, and values ranging from -0.4016 to 7.93. The data is positively skewed (2.0444) and abnormally peaked (kurtosis of 6.8088). Board education (BED) has a mean of 0.8632, a standard deviation of 0.3072, and a standard error of 0.0217, with values between 0.2777 and 1.5555, showing negative skewness (-0.1106) and normal kurtosis (2.2476). Board prestigious education (BPED) has a mean of 0.7857, a standard deviation of 0.4554, and a standard error of 0.0322, with values ranging from 0.1481 to 2.3333, showing positive skewness (1.0589) and moderate kurtosis (3.5567). Board interlocking (BINL) shows a mean of 0.5455, standard deviation of 0.1919, and standard error of 0.0135, with values from 0.0909 to 0.9, with negative skewness (-0.2802) and kurtosis of 2.3256. Finally, board members' external roles (BMER) has a mean of 0.5789, standard deviation of 0.1917, and standard error of 0.0135, with values from 0.0909 to 1, showing negative skewness (-0.3046) and normal kurtosis (2.6954).

Table 2: Descriptive Statistics

Variables	EPS	BED	BPED	BINL	BMER
Observations	200	200	200	200	200
Mean	1.2156	0.8632	0.7857	0.5455	0.5789
Std. Deviation	1.579	0.3072	0.4554	0.1919	0.1917
SE(Mean)	0.1116	0.0217	0.0322	0.0135	0.0135
Minimum	-0.4016	0.2777	0.1481	0.0909	0.0909
Maximum	7.93	1.5555	2.3333	0.9	1

Sum	243.1298	172.652	157.146	109.1046	115.7808
Skewness	2.0444	-0.1106	1.0589	-0.2802	-0.3046
Kurtosis	6.8088	2.2476	3.5567	2.3256	2.6954

Note: The table above presents the descriptive statistics for the dataset.
Researcher's Computation (2024)

Correlation Analysis

Table 3 below presents the results of a pairwise correlation coefficient test examining the linear relationship between board capital and market performance. The findings show an insignificant but direct relationship between board education (BED) and earnings per share (EPS), with a coefficient of 0.0058 and a probability of 0.9347, indicating a 0.58% increase in EPS with increased board education. A significant positive correlation is found between board prestigious education (BPED) and EPS, with a coefficient of 0.2949, suggesting a 29.49% increase in EPS. Similarly, board interlocking (BINL) shows a significant positive relationship with EPS, with a 23.70% increase implied by a coefficient of 0.2370. The external roles of board members (BMER) also exhibit a positive and significant relationship with EPS, with an 18.63% increase indicated by a coefficient of 0.1863. The relationships among the independent variables do not indicate multicollinearity, implying that all forms of board capital positively contribute to improving a firm's market performance.

Table 3: Correlation Analysis

Variables	Pairwise Correlation	EPS	BED	BPED	BINL	BMER
EPS	Coefficient Sig.	1.0000				
		-				
BED	Coefficient Sig.	0.0058	1.0000			
		-0.9347				
BPED	Coefficient Sig.	0.2949*	0.3491*	1.0000		
		0	0			
BINL	Coefficient Sig.	0.2370*	*0.1090	*0.0579	1.0000	
		-0.0007	-0.1246	-0.415		
BMER	Coefficient Sig.	0.1863*	*0.0893	*0.0870	0.9184*	1.0000
		-0.0083	-0.2088	-0.2208	0	

Note: The table above illustrates the relationships between the variables.
Source: Researchers' Computation (2024)

Post-Estimation Tests

The model specification was tested using the Ramsey RESET test, which showed a probability of 0.5287, indicating no omitted variable bias or misspecification. A heteroscedasticity test, conducted using the Breusch-Pagan/Cook-Weisberg test, revealed the presence of heteroscedasticity with a probability of 0.0000, suggesting that the variance of the residuals is not constant. The Wooldridge test for autocorrelation in panel data showed

a probability of 0.7211, indicating no significant autocorrelation. Additionally, the cross-sectional dependence test revealed no cross-sectional dependence, with a statistic of 1.608 and a probability of 0.1079. To address the heteroscedasticity issue, the model use panel-corrected standard errors (PCSE). Finally, the Hausman test favored the fixed-effect model, with a probability of 0.0003, implying that the difference in coefficients is systematic.

Table 4: Summary of Post Estimation Test Results

Ramsey RESET test		
Null Hypothesis	F-Statistics	Probability
Ho: model has no omitted variables (P>0.05)	0.74	0.5287
Tolerance and VIF Value		
Null Hypothesis	VIF	Mean VIF
There is no multicollinearity among the variables (1/VIF >0.10)	-	3.81
Breusch-Pagan / Cook-Weisberg test for Heteroscedasticity		
Null Hypothesis	Chi2 Statistics	Probability
Constant variance across the variable's residuals (P>0.05)	34.15	0
Wooldridge test for autocorrelation		
Null Hypothesis	F-Statistics	Probability
No first-order autocorrelation (P>0.05)	0.131	0.7211
Pesaran's test of cross-sectional independence		
Null Hypothesis	Statistics	Probability
There is no cross-sectional dependence (P>0.05)	1.608,	0.1079
Hausman Test		
Null Hypothesis	Statistics	Probability
Difference in coefficients not systematic (P>0.05)	21.24	0.0003

Note: The table above shows the summary of post estimation test results.
Source: Researchers' Computation (2024)

Panels Corrected Standard Errors Regression

The model specification test revealed that fixed effect model is more appropriate for interpretation. However, in order to correct statistical problem that made the model negate the assumption of linear regression, the effect of board capital proxied by board education, board prestigious education, board interlocking and member external roles on market performance is inferred from the result of Prais-Winsten regression. This is a panel corrected standard error regression computed after correcting observed statistical problems identified in the pre and post estimation tests. The regression corrected the heteroskedasticity problem making it suitable for interpretation. Probability value and the Z-statistics is used as the indices of interpretation for the linear

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relationship.

The overall result shows that board capital have significant effect on market performance of consumer good firms. This is evidenced by the Wald chi2 which is significant and this imply that the model analysed is significant at 5 percent. The variance that can be caused in market performance of firms by board capital is 18.06 percent. The regression result shows that board education (BED) has negative and significant effect on board capital (BCP) having z-statistics of 3.87 and probability of 0.000. The implication of the result is that the literal exposure of the directors to formal education may enhance the understanding of their role, it doesn't guarantee the performance of the firm in a volatile business environment like Nigeria in which the company operates. The result presented on Table 5 shows that board prestigious education (BPED) has z-statistics of 4.32 and P-value of 0.000 and this indicate positive and significant effect on board capital (BCP). This indicates that not all form of knowledge is found useful on the board but the ones related to business depict expertise and it is an intellectual capital domiciled in the board for these companies. These educational credentials are often highly regarded and the acquired advanced business skills will sell the company share high in the financial market and in turn improve the earnings of the company and help maximize shareholders' wealth. Furthermore, on table 5, it is shown that board interlocking (BINL) has z-statistics of 3.31 and P-value of 0.001 and this indicate positive and significant effect on board capital (BCP). The result indicates that the ability of the directors to have a networking of social capital among other firms in the industry boost the market performance of companies. This form of social capital will facilitate transfer of ideas that are beneficial at low cost from one firm to another, and the firms may be able to build a competitive edge through this medium and improve their investors' wealth.

Lastly on Table 5, it is shown that board members external role (BMER) has negative but insignificant effect on board capital (BCP) of consumer good firms in Nigeria. This is evidenced by z-statistics of -1.90 and probability value of 0.058. This imply that other roles and responsibilities undertaken by board members beyond their traditional governance functions may result to a burden that may render them ineffective and even expose them to conflict of interest which may make their decision on behalf of the company lacks reliability.

The findings of the study corroborate the results of similar studies such as Ivashkovskaya et al. (2023) which conducted a study in Russian on the relationship between board capital and performance of businesses operating in emerging markets. It was found that a director's prior industrial and management expertise improves the success of the company. It equally supports the result of Yousaf et al. (2022) that investigated the impact of board capital on the performance of Chinese tourism industry. The board capital dimensions are classified into social capital (proxied by interlocks) and human capital (proxied by education and experience). The findings showed that board interlocks and board expertise have a positive impact on company value, board education exhibit negative impact. It further supports the findings of Azlina et al. (2022) that carried out a study on the effect of board capital on market performance in Indonesia.

The result obtained from the hypothesis testing revealed that board capital (proxy by board education, board prestigious education, board interlockings and board member external roles) does not significantly influence market performance. Board education has a negative and significant effect on market performance, board prestigious education has a positive and highly significant market performance, while board members' external roles have a negative but marginally insignificant effect on market performance in Nigeria listed consumer goods firms. In conclusion, the results indicate that board prestigious education and interlocking significantly enhance market performance, while board education negatively affects it, and external roles have a marginally insignificant negative impact.

Table 5: Panels Corrected Standard Errors Regression

Het-corrected				
BDCP	Coef.	Std. Err.	Z	P>z
BED	-0.7266175	0 .3383868	-2.15	0.032

BPED	1.180027	0.2730374	4.32	0
BINL	4.054372	1.226689	3.31	0.001
BMER	-2.33201	1.227725	-1.9	0.058
_cons	0.0539826	0.4331916	0.12	0.901
Number of obs = 200	Number of groups = 8			
R-squared = 0.1637				
Wald chi2(4) = 29.06	Prob > chi2 = 0.0000			

Note: The table above shows the Panels Corrected Standard Errors Regression.
Source: Researchers' Computation (2024)

Policy Implication of Findings

The findings of the study have important implications for both management and investors, suggesting that Nigerian firms should prioritize a board composition rich in resources such as education, interlocking, and external roles to enhance market performance. Investors and regulators, particularly the Securities and Exchange Commission (SEC), should scrutinize directors' qualifications more closely, focusing on their educational background, interlocking positions, and external roles. Additionally, government campaigns to raise public awareness of board capital are essential for influencing investment decisions. The study highlights the resource dependence theory, showing that prestigious education and board interlocking positively impact market performance, while multiple external roles may pose risks and require stock market regulators to implement protective policies. Management should, therefore, strategically align board members' skills and resources with the firm's mission to maximize their contributions.

CONCLUSION AND RECOMMENDATIONS

The study investigated the impact of board capital on the market performance of firms, particularly emphasizing the crucial role that board members play in strategic decision-making. By nurturing strong relationships with stakeholders, board activities foster trust, loyalty, and innovation, thereby enhancing the firm's public image and ultimately leading to a healthy return on investment. Given the competitive landscape of Nigeria's consumer goods sector, the research aimed to determine whether board capital could provide firms with a strategic advantage and improve their earnings per share. Utilizing a longitudinal design and secondary data from annual reports of 20 firms, the analysis revealed that board capital positively and significantly influences market performance. These results corroborate earlier studies highlighting the advantages of board capital, particularly in developing economies.

The findings suggest that consumer goods firms can enhance shareholder value by effectively leveraging the human, social, and reputational capital that directors bring to the boardroom. It is recommended that firms prioritize board members with prestigious educational backgrounds and strategically foster board interlocking relationships. Additionally, firms should reassess the impact of general board education and external roles to better align with market performance goals. Boards should also emphasize advancing their educational qualifications, acquiring relevant business skills, and building social connections to strengthen social capital, which can positively influence company objectives. However, the study is limited by its reliance on a decade of data from the Nigerian Exchange Group, focusing solely on a segment of the consumer goods sector and excluding other industries and unlisted firms in Nigeria. Additionally, only four board capital variables were examined. Future research should explore additional factors, such as board leadership structure, international experience, risk management skills, and board expertise, along with alternative market performance measures beyond earnings per share, for a more comprehensive assessment.

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