Effect of Board Characteristics on Financial Performance of Listed Consumer Goods Firms in Nigeria

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ABSTRACT

This study examines the effect of board characteristics on financial performance of listed consumer goods firms in Nigeria for the period of ten (10) years covering 2015 to 2024. An ex-post facto research design was adopted for the study. The population of this study consisted of 18 out of 19 consumer goods firms listed on the Nigerian Exchange Group (NGX) as of December 31st, 2024. The data used were secondary data extracted from the annual reports and accounts of listed consumer goods firms that are listed on the Nigerian Exchange Group within the period of the study. *The study used economic value added to measure financial performance, while board size, board independence, board gender diversity, board financial expertise were used as proxies for board characteristics.* The study used panel multiple regression and the results revealed that board independence, board gender diversity, and board financial expertise have a positive and significant effect on financial performance of listed consumer goods firms in Nigeria, while board size shows no significant effect on financial performance. The study concluded that board independence, board gender diversity, and board financial expertise enhance the financial performance of listed consumer goods firms in Nigeria. Board size does not influence the financial performance of listed consumer goods firms in Nigeria. Therefore, the study recommended that consumer goods firms should prioritize enhancing board independence, gender diversity, and financial expertise while maintaining an optimal board size to improve financial performance.

Keywords: Board Financial Expertise, Gender Diversity, Independence, Board Size and Financial Performance

INTRODUCTION

The financial performance of firms in today's global economy is no longer determined solely by market dynamics and operational efficiency but also by the quality of their corporate governance structures. Across the world, boards of directors play a critical role in shaping strategic direction, monitoring management, and safeguarding shareholders' interests' factors that directly influence financial outcomes (OECD, 2023; IMF, 2023). In recent years, the global corporate landscape has witnessed heightened scrutiny of board characteristics such as size, independence, gender composition, and financial expertise, given their potential to strengthen accountability and improve decision-making efficiency (Deloitte, 2023; PwC, 2023). As firms navigate a complex environment marked by inflationary pressures, geopolitical instability, and technological disruptions, effective corporate governance has become indispensable for sustaining profitability and investor confidence (World Bank, 2023; Olutimehin et al., 2024).

Board size, as one of the key governance characteristics, has generated considerable debate in literature regarding its optimal configuration. Larger boards are believed to enhance firm performancee by pooling diverse knowledge, experience, and strategic perspectives that improve oversight functions (Al-Najjar, 2020; Sunday & Adewale, 2022). Conversely, excessively large boards may suffer from coordination difficulties, slower decision processes, and diluted accountability, which can adversely affect performance (Kyere & Ausloos, 2021; Ahmed & Hussain, 2023). On the other hand, smaller boards are associated with faster and more cohesive decision-making but may lack diversity and specialized expertise (Olowookere et al., 2022). Thus, determining the balance between board size and financial performance remains a critical governance consideration, particularly in competitive sectors like consumer goods where efficiency and adaptability are essential.

Board independence is another vital determinant of financial performance, as independent directors are expected to exercise unbiased judgment, mitigate managerial opportunism, and ensure transparency (Uadiale, 2020; Vadasi & Polyzos, 2023). Empirical evidence from emerging markets suggests that firms with more independent boards often achieve superior financial performance due to improved monitoring and reduced agency costs (Alqatamin, 2022; Egbunike & Odum, 2018). However, excessive independence may also limit the board's cohesion and the ability to access firm-specific information necessary for effective oversight (Moses & Okoye, 2021). Hence, the true effect of board independence on firm performance continues to attract scholarly attention, particularly in developing economies with evolving governance systems such as Nigeria.

Similarly, board gender diversity has become a central theme in modern governance discourse. Female representation on boards is believed to enhance creativity, ethical sensitivity, and stakeholder inclusiveness, thereby improving firm reputation and performance (Adams & Ferreira, 2019; Nuhu & Hassan, 2022). Studies in both developed and developing economies show mixed outcomes, while some find positive relationships between gender diversity and profitability, others suggest that tokenism and cultural biases can weaken this effect (Ujunwa, 2021; Olayemi & Adegboye, 2023). Nonetheless, the increasing advocacy for gender-inclusive leadership across Nigerian firms aligns with the global commitment to diversity, equity, and good governance (OECD, 2023).

Furthermore, the financial expertise of board members has become indispensable in ensuring sound financial oversight and strategic guidance. Boards with directors possessing accounting, finance, or investment backgrounds are better positioned to interpret complex financial statements, manage risk exposures, and align strategic choices with long-term value creation (Ehikioya & Osemene, 2021; Abdullahi & Sule, 2023). The absence of such expertise, however, can lead to poor financial controls and increased vulnerability to performance declines (Ogbechie & Koufopoulos, 2020). As the Nigerian consumer goods sector faces intense market competition, inflationary pressures, and fluctuating consumer demand, the financial literacy of board members has become a decisive factor in sustaining firm performance (Bassey & Udoh, 2022; IMF, 2023).

In Nigeria, where governance reforms and regulatory scrutiny have intensified following corporate collapses and performance declines, understanding how board characteristics affect financial performance is crucial (SEC Nigeria, 2021; Akinsanya & Adeola, 2022). Listed consumer goods firms are particularly significant to the Nigerian economy due to their role in job creation, tax contribution, and GDP growth. Yet, many of these firms struggle with governance inefficiencies and fluctuating profitability (Onyegiri et al., 2024). Against this backdrop, this study examined the effect of board size, board independence, board gender diversity, and board financial expertise on the financial performance of listed consumer goods firms in Nigeria.

The objective of the study is to examine how these board characteristics influence financial performance. The specific objectives are to:

1. examine the effect of board size on the financial performance of listed consumer goods firms in Nigeria;
2. determine the effect of board independence on the financial performance of listed consumer goods firms in Nigeria;
3. assess the effect of board gender diversity on the financial performance of listed consumer goods firms in Nigeria; and
4. evaluate the effect of board financial expertise on the financial performance of listed consumer goods firms in Nigeria.

Based on these objectives, the following null hypotheses are formulated:

H_{01}: Board size has no significant effect on the financial performance of listed consumer goods firms in Nigeria.

H_{02}: Board independence has no significant effect on the financial performance of listed consumer goods firms in Nigeria.

H_{03}: Board gender diversity has no significant effect on the financial performance of listed consumer goods firms in Nigeria.

H_{04}: Board financial expertise has no significant effect on the financial performance of listed consumer goods firms in Nigeria.

LITERATURE REVIEW

Concept of Financial performance

Financial performance has been conceptualised by scholars as a multifaceted construct that reflects a firm's ability to effectively utilise its resources to achieve profitability, stability, and long-term value creation. It is often viewed as an indicator of a company's ability to convert assets, equity, and sales into returns, thereby reflecting managerial efficiency and the overall health of the organisation (Gitman & Zutter, 2015; Al-Matari et al., 2014). While early definitions emphasised profitability as the primary measure of financial success (Tudose et al., 2022), subsequent perspectives have integrated broader dimensions, such as liquidity, solvency, and operational efficiency (Matar & Eneizan, 2018). From the agency theory perspective, financial performance represents the degree to which managers effectively align their actions with shareholders' wealth-maximising interests (Jensen & Meckling, 1976). Similarly, the resource-based view underscores the strategic allocation of resources as a foundation for achieving superior performance and maintaining a competitive edge (Odoemelam & Fred-Horsfall, 2025; Uwuigbe et al., 2018). In developing economies like Nigeria, financial performance is also shaped by governance mechanisms, transparency, and stakeholder engagement, which influence firms' ability to sustain profitability and deliver consistent returns (Aifuwa et al., 2020; Uwuigbe et al., 2018).

Scholars have employed various indicators to assess financial performance, ranging from accounting-based measures such as Return on Assets (ROA), Return on Equity (ROE), and net profit margin to market-based indicators like Tobin's Q and earnings per share (Akhtaruddin et al., 2020; Matar & Eneizan, 2018). Although these traditional metrics provide insights into profitability and operational efficiency, they often fail to capture the full economic value generated by a firm. To address this limitation, contemporary approaches such as the Economic Value Added (EVA) framework have been adopted, as it measures the residual income after accounting for the cost of capital, offering a more accurate picture of wealth creation (Md. Zahedul et al., 2019; Matar & Eneizan, 2018). EVA is particularly relevant for assessing long-term sustainability because it integrates both profitability and capital efficiency, aligning with the principle of shareholder value maximisation (Akhtaruddin et al., 2020). Consequently, MVA is utilised as a proxy for financial performance in this research. Hence, for this study, financial performance is defined as the firm's ability to generate sustainable economic value above its cost of capital, emphasising true wealth creation and efficient resource utilisation in the competitive Nigerian business environment.

Concept of Board Characteristics

Board characteristics refer to the structural and demographic characteristics of a company's board, including its size, independence, gender diversity, and financial expertise, which determine its governance effectiveness (Alqatamin, 2022; Ahmed & Hussain, 2023). Board size influences financial performance by affecting decision-making efficiency and access to diverse perspectives (Kyere & Ausloos, 2021). Board independence enhances monitoring and reduces agency conflicts, leading to improved profitability (Vadasi & Polyzos, 2023). Gender diversity fosters creativity, ethical decision-making, and stakeholder inclusiveness, strengthening firm reputation and performance (Nuhu & Hassan, 2022). Financial expertise equips board members with analytical competence to manage risks and optimise financial outcomes (Abdullahi & Sule, 2023). Collectively, well-structured board characteristics promote accountability, transparency, and strategic direction, which drive superior financial performance (Olayemi & Adegboye, 2023). Therefore, board size, independence, gender diversity and financial expertise are proxies for board characteristics used for this study.

Board Size

Board size refers to the total number of directors serving on a company's board, encompassing both executive and non-executive members responsible for guiding strategy and oversight (Adeabah et al., 2019; Ahmed & Hamdan, 2015). While smaller boards enhance accountability and swift decision-making, larger boards provide diverse expertise and external networks beneficial for strategic growth (Abobakr & Elgiziry, 2017; García-

Ramos & García-Olalla, 2014). However, excessively large boards may suffer from coordination challenges and agency costs, weakening performance (Ahmed & Gabor, 2019; Essen et al., 2015). Empirical evidence suggests that the effect of board size on financial performance is context-dependent, with an optimal size varying across industries and firm structures (Adeabah et al., 2019; Alabdullah, 2018). Measurement of board size typically involves counting directors as reported in annual filings, sometimes distinguishing executive, non-executive, and independent members (Adeabah et al., 2019; Ahmed & Gabor, 2019). Hence, this study defines board size as the total number of appointed directors collectively influencing strategic direction, accountability, and financial sustainability.

Board Independence

Board independence refers to the degree to which board members are free from managerial, financial, and familial influence, enabling them to make objective decisions that protect shareholders' interests (Fama & Jensen, 1983; Klein, 2002). It serves as a key mechanism for mitigating agency conflicts between management and owners (Jensen & Meckling, 1976; Hermalin & Weisbach, 2003). Independent directors enhance monitoring, transparency, and accountability, which in turn improve firm performance (Coles et al., 2008; Adams & Ferreira, 2009). However, excessive independence may reduce efficiency if directors lack firm-specific knowledge (Guest, 2009). In emerging economies like Nigeria, independence strengthens reporting credibility and investor confidence (Ujunwa, 2012; Sanda et al., 2011). Thus, board independence measured by the ratio of independent directors to total board size enhances strategic oversight and sustainable financial performance (Dahya & McConnell, 2017; García-Meca & Pucheta-Martínez, 2018). Thus, this study defines board independence as directors' freedom from undue influence and their capacity for objective oversight that strengthens financial performance.

Board Gender Diversity

Board gender diversity refers to the inclusion and representation of women on corporate boards, which enhances decision-making and firm performance through diverse perspectives (Carter et al., 2010; Adams & Ferreira, 2009). It improves monitoring effectiveness and promotes ethical and transparent governance, particularly in firms with weak structures (Post & Byron, 2015; Lückerath-Rovers, 2013). Studies show that gender-diverse boards foster innovation, inclusivity, and stronger financial outcomes, especially in emerging economies (Terjesen et al., 2016; Francoeur et al., 2019). Women directors help reduce groupthink, enhance accountability, and increase firm value through better oversight (Campbell & Mínguez-Vera, 2014; Bennouri et al., 2018). In African contexts, gender diversity strengthens governance and profitability by improving stakeholder confidence (Ntim, 2015; Ujunwa et al., 2012). Thus, this study defines board gender diversity as the proportion and influence of women directors actively participating in decision-making and board leadership roles.

Board Financial Expertise

Board financial expertise refers to the presence of directors with specialized knowledge or experience in finance, accounting, and investment management, enabling them to interpret financial reports and strengthen oversight (DeFond et al., 2005; Krishnan & Visvanathan, 2008). Such expertise enhances transparency, reduces information asymmetry, and improves governance quality, leading to superior financial outcomes (Dhaliwal et al., 2010; Omer & Shelley, 2014). Financially literate boards are better equipped to manage risks, ensure reporting integrity, and make strategic investment decisions (Sun et al., 2016; García-Sánchez et al., 2017). In emerging markets, financial expertise increases firm value and sustainability through improved decision-making and accountability (Kallamu & Saat, 2019; Al Lawati & Hussainey, 2020). Empirical evidence shows that financially expert directors strengthen market confidence and firm resilience (Musa et al., 2021; Uwuigbe et al., 2022). Hence, this study defines board financial expertise as the proportion of directors with professional financial qualifications and relevant managerial experience that enhance strategic and financial performance.

Empirical Review

Board Size and Financial Performance

Wede et al. (2023) examined the impact of board characteristics on the financial performance of quoted consumer

goods firms in Nigeria between 2010 and 2020. Using secondary data from ten firms' annual reports, the study employed multiple regression analysis to assess the relationship between board characteristics and key performance indicators. The study revealed that board size and independence had a negative influence on profitability measures, including earnings per share and profit after tax. However, these characteristics had a positive effect on return on equity (ROE), indicating that while larger and more independent boards may not directly improve profitability, they might contribute to long-term shareholder value. Board diversity was found to have a positive and significant effect on earnings per share, suggesting that diversity may lead to better financial outcomes by bringing diverse perspectives and better decision-making. This finding aligns profitability, they might contribute to long-term shareholder value. Board diversity was found to have a positive and significant effect on earnings per share, suggesting that diversity may lead to better financial outcomes by bringing diverse perspectives and better decision-making. This finding aligns with the growing literature on the importance of diversity in enhancing the overall effectiveness of corporate boards. The study concluded by emphasizing the need for firms to focus on improving board composition and audit quality to ensure transparent financial reporting.

Raji et al. (2024) studied how corporate governance characteristics affect the financial performance of deposit money banks in Nigeria for a period of 13 years (2010–2022). The study focused on six deposit money banks in Nigeria. Data were gathered from their audited yearly reports and accounts. A descriptive statistic, correlation, and panel fully modified ordinary least squares were used to analyse the data. The results showed that the board size has a positive and insignificant effect on the financial performance of the selected banks. However, the study's focus on only six banks and limited governance variables restricted the generalisability and depth of findings. Its reliance on the banking sector also omits sector-specific dynamics present in other industries. The current study addresses these gaps by examining a broader set of board characteristics variables, applying panel regression, covering 2015–2024, and focusing on Nigeria's consumer goods firms for sector-specific evidence.

Aidoo et al. (2024) examined how board size, board independence and board expertise relate to the financial performance of manufacturing companies listed on the Ghana Stock Exchange, considering the moderating role of board commitment. The study population were all the listed manufacturing firms in Ghana. The study employed a quantitative research method along with a causal research design. Secondary data were elicited from the annual financial reports and accounts of seven listed manufacturing companies from 2010 to 2022. It was discovered that board size has an insignificant effect on the financial performance (return on assets and return on equity) of listed manufacturing companies in Ghana. The study found a positive but insignificant moderating effect of board commitment on board size and return on asset nexus. Though, its limited scope of board variables and reliance solely on accounting-based performance measures restrict broader governance insights. The current study addresses this by expanding to four board characteristics, applying panel regression from 2015 to 2024.

Alashe et al. (2021) examined the influence of board structure on the financial performance of consumer goods firms in Nigeria following the adoption of International Financial Reporting Standards (IFRS). Using data from 14 firms over the period from 2012 to 2019, the study utilized ordinary least squares (OLS) regression to explore the effects of board gender diversity, executive director strength, and other board characteristics on profit margins. The findings revealed that neither board gender diversity nor the numerical strength of executive directors had a significant impact on profit after tax margin. This suggests that these specific aspects of board structure may not directly influence financial performance in the post-IFRS adoption era. The study highlights that while some countries and industries have seen improvements in governance through diversity, the influence of board structure on financial performance remains context-dependent. Moreover, the study calls for the implementation of policies to address the underrepresentation of women on boards, suggesting that gender diversity may still play an indirect role in fostering better governance practices.

Raboshuk et al. (2023) examined the impact of corporate governance mechanisms on the financial performance of listed industrial companies in Oman. Panel data regression analysis was used to analyse data from 36 Omani industrial companies, listed on the Muscat Stock Exchange for the period 2017–2021. Three regression models were developed using three dependent variables (Return on Assets, Return on Equity, Return on Sales), seven independent variables (Board Size, Independent and Non-executive Board Members, Board Meeting, Chief Executive Officer, Dummy variable for Board Change, Dummy variable for the Secretary on the Board, Dummy variable for Internal Auditor), and two control variables (Leverage, Size of the company). The results revealed

that the board size has a negative and significant influence on the return on assets. Although, board size has a significant impact on the return on equity indicator. This study addresses these gaps by applying panel regression to a longer 2015–2024 period, focusing on Nigerian consumer goods firms and integrating board size, independence, gender diversity, and financial expertise.

The study by Berhe (2023) used panel data of 14 commercial banks in Ethiopia covering a period of 9 years from 2011–2019, which results in 126 bank-year observations to examine the relationship between board structure (board size, board composition, CEO duality, and board gender diversity) and bank performance. The findings of the study showed that board size has a negative and significant effect on bank performance. This means that bank performance decreases as the number of board of directors' increases. However, its limited scope of variables and domain restricts a deeper understanding of broader board dynamics across industries. The current study improves on this by incorporating a wider set of board characteristics, applying panel regression over a longer period (2015–2024), and focusing on the underexplored consumer goods firms in Nigeria.

Babić et al. (2020) investigated the effect of board structure on the financial performance of the Serbian banking sector over three years (2015–2017), focusing on board size and board composition as proxies for board structure. The study used balanced panel data of 54 observations and applied Ordinary Least Squares (OLS) regression with the CAMELS model as a performance measurement framework. The study findings revealed that large boards did not necessarily translate into better financial performance, aligning with concerns about inefficiencies in larger boards. The study's short time frame (2015–2017) and banking-sector focus reduce its applicability to other industries. In contrast, the current research on Nigerian consumer goods firms (2015–2024) incorporates a wider range of board characteristics, applies market value added as a performance proxy, and uses panel regression to capture sector-specific governance dynamics more comprehensively.

Board Independence and Financial Performance

Aidoo et al. (2024) examined how board size, board independence and board expertise relate to the financial performance of manufacturing companies listed on the Ghana Stock Exchange, considering the moderating role of board commitment. The study population were all the listed manufacturing firms in Ghana. The study employed a quantitative research method along with a causal research design. Secondary data were elicited from the annual financial reports and accounts of seven listed manufacturing companies from 2010 to 2022. The results revealed that board independence has a positive and significant effect on the financial performance of listed manufacturing firms in Ghana. However, board commitment has a positive and significant influence on the board independence and return on asset nexus of listed manufacturing firms in Ghana. However, its limited scope of board variables and reliance solely on accounting-based performance measures restrict broader governance insights. The current study addresses this by expanding to six board structure, applying panel regression from 2015–2024, and focusing on Nigeria's consumer goods firms for more comprehensive and industry-specific findings.

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variable for Internal Auditor), and two control variables (Leverage, Size of the company). The results revealed that the independent and non-executive board directors have a negative and significant influence on the Return on Assets. Although the independent and non-executive board of directors have a significant impact on the Return on Equity indicator. The current study addresses these gaps by applying panel regression to a longer 2015–2024 period, focusing on Nigerian consumer goods firms and integrating board size, independence, gender diversity, financial expertise, and meeting frequency.

Using a sample of 12 banks listed on the Colombo Stock Exchange, based on data from 2015 to 2019, Jayathilaka and Kumari (2021) explored the impact of board structure on the performance of listed commercial banks on the Colombo Stock Exchange. The study used the company's performance based on the following financial performance measures: return on assets (ROA) and return on equity (ROE), while board structure consisted of board size, female board members, non-executive directors, and frequency of board meetings. Bank capital was used as the control variable in the study. Descriptive, correlation and regression analyses were performed to achieve the study objectives. The study's findings suggest that the non-executive directors has a negative and significant influence on ROE and ROA of CSE-listed commercial banks. Though, Jayathilaka and Kumari (2021) provide empirical evidence using multiple board structure variables and robust statistical methods over five years, offering insights into governance in Sri Lanka's banking sector. However, the study's limited time frame, focus on only four board characteristics, and reliance on accounting-based performance measures restrict its scope. The current study extends this by covering a longer period (2015–2024), incorporating six board characteristics, applying panel regression, and focusing on Nigeria's underexplored consumer goods firms for richer, context-specific insights.

Board Gender Diversity and Financial Performance

Rizvi et al. (2023) employed fuzzy-set qualitative comparative analysis to examine a sample of 60 non-financial companies listed on the Pakistan Stock Exchange (PSX), using data from the pre-crisis period. Board characteristics were proxied by women on the board, busy directors, blockholder ownership, and director qualification, while firm financial performance was measured by return on assets and return on equity. The findings revealed that the women on the board has a positive and significant impact on the firm's profitability o listed non-financial companies in Pakistan. The current study broadens the variables, updates the timeline to 2015–2024, applies panel regression, and focuses on Nigeria's consumer goods firms for more context-specific findings.

The study by Berhe (2023) used panel data of 14 commercial banks in Ethiopia covering a period of 9 years from 2011–2019, which results in 126 bank-year observations to examine the relationship between board structure (board size, board composition, CEO duality, and board gender diversity) and bank performance. The findings of the study showed that board gender diversity has a positive and significant impact on bank performance. This implies that the increase in female board members in the boardroom increases bank performance. This study improves on this by incorporating a wider set of board characteristics, applying panel regression over a longer period (2015–2024), and focusing on the underexplored consumer goods firms in Nigeria.

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Bawazir et al. (2021) investigated the relationship between corporate governance and the performance of non-financial firms listed on the Muscat Securities Market for the period 2007–2017, with a particular focus on

whether financial leverage mediates this relationship. Using panel fixed effect regression, the study examined board size, board independence, presence of women on the board and board meetings to assess their association with firm performance. The findings revealed that the presence of women on the board has a positive and significant relationship with firm financial performance. The current study addresses these gaps by expanding the variables, covering a more recent period (2015–2024), and focusing on the consumer goods firms.

Board Financial Expertise and Financial Performance

Aidoo et al. (2024) examined how board size, board independence and board expertise relate to the financial performance of manufacturing companies listed on the Ghana Stock Exchange, considering the moderating role of board commitment. The study population were all the listed manufacturing firms in Ghana. The study employed a quantitative research method along with a causal research design. Secondary data were elicited from the annual financial reports and accounts of seven listed manufacturing companies from 2010 to 2022. It was discovered that board financial expertise has a positive and significant effect on the financial performance of listed manufacturing firms in Ghana. This study addresses this by expanding to six board characteristics, applying panel regression from 2015–2024, and focusing on Nigeria's consumer goods firms for more comprehensive and industry-specific findings.

The study by Andoh et al. (2022) assessed the impact of board characteristics on the performance of listed non-financial firms with that of listed financial firms (commercial banks) in Ghana. Fixed and random effects models with generalised least squares specifications are used to estimate regressions, correcting for heteroscedasticity and serial correlation. Additionally, lagged models of the board variables are employed to address potential endogeneity and generate robust estimates. Findings showed that the proportion of board members with higher educational qualifications appears negatively associated with performance of listed non-financial firms and financial firms. The current study improves on this by examining six targeted board characteristics over 2015–2024 using panel regression, specifically within Nigeria's consumer goods firms for more focused and context-driven insights.

Bayu and Hunde (2020) investigated the effect of corporate governance on financial performance from selected privately owned commercial banks in Ethiopia. The panel data and purposive sampling technique have been utilised to select the respondents from the existing target population. The study included independent corporate governance variables such as Board size, Meeting frequency of the board, audit committee size, liquidity ratio, existence of outside director, Board educational qualification, board gender diversity, chief executive compensation and controlling variables of bank age and bank growth. Random Effect Model GLS regression analysis was used to analyse the annual data generated from the annual statements of the selected private commercial banks of Ethiopia and annual reports of the National Bank of Ethiopia covering the period from 2010 to 2018 G.C. In addition, primary data from structured open-ended questionnaires is used to support the findings of secondary data. The study found that educational qualification has a positive and significant relationship with return on assets. However, this study builds on this by concentrating on six core board characteristics, using panel regression over 2015–2024, and applying the analysis to Nigeria's consumer goods firms for more targeted, industry-relevant insights.

THEORETICAL FRAMEWORK

Agency Theory

Agency theory, propounded by Jensen and Meckling in 1976, serves as one of the most influential frameworks in corporate governance and financial management. The thrust of the theory is based on the principal-agent relationship, which arises when the owners (principals) delegate decision-making authority to managers (agents) who may not always act in the best interest of the principals. This divergence in interests creates agency problems, often resulting in managerial opportunism, moral hazard, and information asymmetry (Jensen & Meckling, 1976). To mitigate these issues, the board of directors acts as a monitoring mechanism that oversees managerial behavior and ensures alignment with shareholder wealth maximization (Fama & Jensen, 1983). Board characteristics such as independence, gender diversity, financial expertise, and optimal board size are seen

as crucial in enforcing accountability and enhancing firm performance (Arosa, Iturralde, & Maseda, 2013; Francoeur, Labelle, & Sinclair-Desgagné, 2019). The effectiveness of these board characteristics in monitoring management underscores the theory's relevance in corporate governance studies, especially in emerging economies where weak institutional frameworks can exacerbate agency conflicts (Allegrini & Greco, 2013).

However, despite its significance, agency theory has faced several criticisms. Scholars argue that it relies heavily on the assumption of self-interest and rational behavior, neglecting social, ethical, and psychological dimensions of management (Donaldson & Davis, 1991; Eisenhardt, 1989). Critics also note that the theory's emphasis on shareholder primacy is too narrow, failing to consider the interests of other stakeholders such as employees, customers, and the community (Freeman, 1984; Letza, Sun, & Kirkbride, 2004). In the Nigerian context, where socio-cultural ties and informal governance systems influence business practices, these limitations become even more pronounced. Nevertheless, the theory remains highly relevant to understanding the role of board structures in ensuring transparency, accountability, and efficiency in firm operations. It provides a strong analytical lens for examining how diverse and independent boards can minimize agency costs, strengthen investor confidence, and enhance the financial performance of listed consumer goods firms in Nigeria's competitive and evolving corporate environment.

METHODOLOGY

This study employed an ex-post facto research design to examine the relationships and effects of board characteristics on the financial performance of listed consumer goods firms on the Nigerian Exchange Group (NGX) from 2015 to 2024. The design was chosen for its suitability in evaluating the interactions between dependent and independent variables. The population consisted of all Nineteen (19) listed consumer goods firms in Nigeria as at 31st December 2024. The following filters was employed to arrive at an adjusted population in line with the studies of Yusuf (2017).

i. Firms must have financial and market information necessary to extract the panel data needed for the period 2015-2024 from the annual reports and accounts of the firms.
ii. Firms must be listed on the Nigerian Exchange Group (NGX) as at 31st Dec. 2024.

Having filtered, eighteen (18) consumer goods firms met the requirement for a sample, therefore constituting 18 companies, which yielded 180 firm observations. The population and sample size of the study are presented in appendix A respectively. More so, the study covers 10 years from 2015 – 2024. The study adapted its model from the works of Isibor et al. (2024) and Abubakar et al. (2021).

$$FPM = \beta_0 + \beta_1 BSZ_{it} + \beta_2 BIN_{it} + \beta_3 BGD_{it} + \beta_2 BFE_{it} + \mu_{it}$$

Where,

FPM = Financial Performance

BSZ = Board Size

BIN = Board Independence

BGD= Board Gender Diversity

BFE = Board Financial Expertise

β_1 -β_4 = Slope or gradient of the Regression Line

μit = Residual or error term of the Firms

i = banks
t = time
μ_{it} = Residual or error term

Variable Measurement

Definition	Acronym	Measurement	Source
Financial Performance (Dependent Variable)	FPM	Measured as NOPAT-(WACC X CI)	Ali (2020) and Samiloglu and Akgün (2018).
Board Size (Independent Variable)	BSZ	Number of directors on the board	Babić et al. (2020) and Bayu and Hunde (2020)
Board Independence (Independent Variable)	BIN	Measure as a proportion of non-executive directors on the board to the total board size.	Babić et al. (2020)
Board Gender Diversity (Independent Variable)	BGD	Proportion of female directors on the board to the total board members	Bawazir et al. (2021), Arora (2021) and Musina et al. (2019)
Board Financial Expertise (Independent variable)	BFE	Proportion of directors with a finance or accounting certificate on the board to the total board members	Aidoo et al. (2024) Rizvi et al. (2023), Bayu and Hunde (2020)

Source: Researcher's Compilation, 2025.

RESULTS AND DISCUSSIONS

Table 4.1 Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
FMP	180	0.035000	0.062000	-0.1500	0.1800
BSZ	180	10.93333	2.666993	7	15
BIN	180	.1887106	.1180374	.0769	.588
BGD	180	.2206729	.1271364	.0769	.6
BFE	180	.8255066	.0.093915	.6364	1.0000

Source: Stata Output, 2025

The descriptive statistics in Table 4.1 provide an overview of the characteristics of the variables used in the study based on 180 firm-year observations. Each variable's mean, standard deviation, minimum, and maximum values give insight into its distribution and variability among listed consumer goods firms in Nigeria.

The mean value of 0.0350 (3.5%), demonstrating that listed consumer goods firms in Nigeria generate a modest positive economic profit above their true cost of capital. The standard deviation of 0.0620 (6.2%) indicates that financial performance varies widely among firms. The minimum value of -0.1500 (-15%) and maximum value 0.1800 (18%) show that while some firms recorded minimal performance, others achieved significantly higher profitability, reflecting disparity in firm efficiency and scale.

Also, the average board size is approximately 11 members, with a standard deviation of 2.67, indicating moderate variation among firms. The smallest board has 7 members while the largest has 15, suggesting that most firms operate within Nigeria's regulatory and corporate governance guidelines, maintaining boards of moderate size for effective oversight.

More so, the mean of 0.19 shows that independent directors constitute roughly 19% of the board, reflecting low independence levels across firms. The minimum (0.0769) and maximum (0.588) values imply that while some firms have minimal independent representation, a few have made efforts to enhance independence for better governance.

With a mean of 0.22, female directors make up about 22% of the boards on average, indicating gradual inclusion

of women in governance. The standard deviation of 0.13 and range between 0.0769 and 0.6 reveal that gender representation varies widely across firms, with some achieving significant diversity and others remaining male-dominated.

The average proportion of financially expert directors is 0.83 signifying that 83% of board members have a strong financial background. This heavily clusters around 9 out of 11 directors on a standard consumer goods board. The standard deviation of 0.0939 and range between 0.6364 (roughly 7 out of 11 directors) and 1.0000 (where entire boards are financially certified) indicate variability in financial literacy among board members, implying that while most firms maintain financially skilled boards, a few lag behind in financial oversight capacity.

Table 4.2: Correlation Matrix

Variable	FMP	BSZ	BIN	BGD	BFE
FMP	1.0000				
BSZ	0.0366	1.0000			
BIN	-0.0578	0.4159	1.0000		
BGD	-0.0036	0.1794	0.4259	1.0000	
BFE	0.0493	-0.4708	-0.7489	-0.4390	1.0000

Source: Stata 13 Output, 2025

The correlation matrix in Table 4.2 reveals that financial performance (FMP) has weak positive correlations with board size (0.0366) and board financial expertise (0.0493), suggesting that larger boards and financially skilled directors may slightly enhance firm performance. Conversely, FMP shows weak negative correlations with board independence (−0.0578) and board gender diversity (−0.0036), implying that these characteristics have minimal or inverse associations with performance in the sampled firms. Additionally, the strong negative correlation between board financial expertise and board independence (−0.7489) suggests potential overlap or substitution effects, indicating that as financial expertise within boards increases, the proportion of independent directors tends to decline.

Table 3 Variance Inflation Factor

Variable	VIF	1/VIF
BFE	2.48	0.403158
BIN	2.32	0.431570
BSZ	1.42	0.704298
BDG	1.24	0.804723
BFM	1.11	0.902181
Mean VIF	1.71	

Source: Stata 13 Output, 2025

The Variance Inflation Factor (VIF) results show that all variables have VIF values below the threshold of 10, with a mean VIF of 1.71, indicating the absence of multicollinearity among the explanatory variables. Board size (2.32) and financial performance (2.48) exhibit slightly higher but still acceptable VIF values, suggesting moderate correlation without distortion in regression estimates. These results confirm that the independent variables are sufficiently independent, ensuring the model's reliability and validity for further analysis.

Table 4: Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

chi2(1) =	0.329
Prob> chi2 =	0.566

Source: Stata 13 Output, 2025

The Breusch Pegan-Godfrey Test of Heteroskedasticity indicates that the probability chi-square value of 0.329 indicates that the data are homoskedasticity. Thus, the p-value of 0.566 which is greater than 0.05 makes the study to accept the null hypothesis that the residuals are not heteroskedasticity but homoskedasticity and is desirable.

Table 5: Hausman Specification Test

Variable	(b) Fe	(B) Re	(b-B) Difference	Sqrt (diag (V_b-V_B)) S.E.
BSZ	.1241977	.0727272	.0514705	.0597619
BIN	.2540333	.2412064	.0128269	.0427755
BGD	.3609365	.3632828	-.0023462	.0360272
BFE	.1761946	.173989	.0022056	.0299365
b = consistent under Ho and Ha; obtained from xtreg B = inconsistent under Ha, efficient under Ho; obtained from xtreg Test: Ho: difference in coefficients not systematic chi2(5) = (b-B)'[(V_b-V_B)^(-1)](b-B) = 1.36 Prob>chi2 = 0.8508				

Source: Stata 13 Output, 2025

The Hausman Specification Test is used to determine whether the fixed or random effect model is more suitable for interpretation. The test results in table 5 above showed a chi-squared value of 0.98 with a probability of 0.9641. Since this value is insignificant, it indicates that the random effect model is more appropriate (best fit). Based on this outcome, the Lagrangian Multiplier test is recommended for further analysis.

Table 6: Breusch and Pagan Lagrangian Multiplier Test for Random Effects

Variable	Var	sd = sqrt (Var)
FMP	.0114257	.1068909
E	.0073377	.0856605
U	.0025354	.050353
Test : (u) = 0, chibar2(01) = 8.36, Prob > chibar2 = 0.0019		

Source: Stata 13 Output, 2025

The results show a prob > chi2 value of 0.0019. Based on this, the random effect regression model is the most appropriate for interpretation, as the prob > chi2 is less than 0.05. The general rule is that when the probability of the LM test is 0.05 or below, the random effect model is preferred. If the probability were higher than 0.05, the pooled OLS model would be more suitable.

Random Effect Regression

Random-effects GLS regression — Number of obs = 180

Group variable: id — Number of groups = 18

R-sq: within = 0.2352 — Obs per group: min = 10

between = 0.3318 — avg = 10.0

overall = 0.2566 — max = 10

Wald chi2(4) = 26.91

corr(u_i, X) = 0 (assumed) Prob > chi2 = 0.0000

Table 7: Random Effect Regression Result

FMP	Coef.	Std. Err.	t	P>/z/
BSZ	.0727272	.1131244	0.64	0.520
BIN	.2412064	.0759326	3.18	0.001
BGD	.3632828	.1115188	3.26	0.001
BFE	.173989	.0822162	2.12	0.034
_Cons	-.3140277	.0876957	-3.58	0.000

Source: Stata 13 Output, 2025

The results of the Random Effects Generalised Least Squares (GLS) regression in Table 7 provide insight into the effect of board characteristics on financial performance (EVA) among listed consumer goods firms in Nigeria. The model's overall R-squared value of 0.2566 suggests that approximately 25.66% of the variation in financial performance is explained by the independent variables. The statistically significant Wald chi-square value (26.91, p = 0.0000) confirms the overall model's validity, indicating that the explanatory variables collectively influence financial performance.

DISCUSSION OF FINDINGS

Board Size (BSZ) and Financial Performance (PFM)

The coefficient of 0.0727 with a p-value of 0.520 indicates that board size has a positive but statistically insignificant effect on financial performance of listed consumer goods firms in Nigeria. This implies that an increase in the number of board members does not significantly enhance firm performance, suggesting that beyond an optimal size, larger boards may contribute little to improved decision-making or monitoring efficiency. Hence, the study fails to reject the null hypothesis that board size has no significant effect on financial performance. This finding aligns with Raji et al. (2024), Aidoo et al. (2024) and Babić et al. (2020), who found that excessively large boards can lead to coordination challenges and reduced decision effectiveness. Contrary to the findings is Raboshuk et al. (2023) and Berhe (2023) findings.

Board Independence (BIN) and Financial Performance (FPM)

The coefficient of 0.2412 with a p-value of 0.001 shows that board independence has a positive and statistically significant effect on financial performance at the 1% level. This implies that a unit increase in the proportion of independent directors leads to a 0.2412-unit improvement in firm performance, holding other factors constant. The result suggests that independent directors strengthen monitoring, enhance accountability, and reduce agency conflicts. Consequently, the study rejects the null hypothesis and concludes that board independence significantly enhances firm performance. This outcome supports the findings of Aidoo et al. (2024), Berhe (2023), and Raboshuk et al. (2023), who emphasised the importance of independence in ensuring transparency and improving firm outcomes. However, Jayathilaka and Kumari (2021) has a contrary finding.

Board Gender Diversity (BGD) and Financial Performance (FPM)

The coefficient of 0.3633 with a p-value of 0.001 indicates that board gender diversity exerts a positive and statistically significant impact on financial performance at the 1% significance level. This means that increased representation of women on corporate boards enhances firm profitability by fostering diversity in perspectives, creativity, and ethical judgment. Therefore, the null hypothesis is rejected, confirming that gender diversity significantly influences firm performance. This finding aligns with Rizvi et al. (2023), Berhe (2023), and

Bawazir et al. (2021), who observed that gender-diverse boards contribute to improved decision-making and sustainable firm growth. The finding did not align with the findings of Jayathilaka and Kumari (2021).

Board Financial Expertise (BFE) and Financial Performance (FPM)

The coefficient of 0.1739 with a p-value of 0.034 suggests that board financial expertise has a positive and statistically significant effect on financial performance at the 5% level. This implies that firms with more financially literate directors are better equipped to oversee financial decisions, mitigate risk, and improve profitability. Thus, the study rejects the null hypothesis, concluding that financial expertise significantly enhances financial performance. This finding is consistent with Aidoo et al. (2024), and Bayu and Hunde (2020), who found that financially knowledgeable boards strengthen strategic decision-making and safeguard firm value. Andoh et al. (2022) has a contrary view from the study's findings

CONCLUSION

Based on the findings, the study concludes that board independence, board gender diversity, and board financial expertise significantly enhance the financial performance of listed consumer goods firms in Nigeria, while board size shows no significant effect. These results underscore the importance of maintaining a balanced, independent, and financially skilled board structure that promotes effective monitoring, ethical decision-making, and sound financial oversight. Strengthening these board characteristics can help firms improve governance quality, accountability, and ultimately, profitability.

RECOMMENDATIONS

Based on its findings and conclusion, this study recommends that:

1. Listed consumer goods firms in Nigeria should focus on maintaining an optimal board size that promotes effective decision-making without creating coordination challenges. Also, corporate governance regulators should provide clear guidelines on the ideal board size relative to firm complexity and industry dynamics.
2. Firms should increase the proportion of independent directors who possess no financial or familial ties to management.
3. Corporate regulators should enforce gender diversity benchmarks, similar to global best practices, to promote equitable representation. In addition, firms should create mentorship and leadership development programs for female professionals to prepare them for board-level responsibilities, thereby enriching the diversity of perspectives that drive innovation and sustainable performance.
4. Firms should ensure that a substantial proportion of board members possess professional qualifications or experience in finance, accounting, or risk management.

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