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BOARD COMMITTEES' INDEPENDENCE AND FINANCIAL PERFORMANCE OF LISTED CONSUMER GOODS COMPANIES IN NIGERIA

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Abstract

This study examined the effect of board committees' independence on the financial performance of consumer goods companies in Nigeria. Specifically, the study investigated the effects of audit committee's independence, risk management committee's independence and remuneration committee's independence on financial performance measured by return on assets (ROA), while earnings per share (EPS) and returns on equity (ROE) where included as control variables. An ex-post facto research design was adopted using secondary data extracted from the annual reports and financial statements of eleven (11) consumer goods companies listed on the Nigerian Exchange Group (NXG) over the period 2015-2025. The Sample was selected purposively based on the availability and completeness of relevant data The study employed Prais–Winsten Regression with Panel-Corrected Standard Errors (PCSE) for data analysis. The findings revealed that audit committee independence has a positive and statistically significant effect on financial performance, while the independence of the risk management committee has a negative and statistically insignificant effect on financial performance. Similarly, remuneration committee independence was found to have a negative and marginally insignificant effect on financial performance. The study concluded that audit committee independence enhances financial performance through effective monitoring and accountability, whereas risk management committee independence and remuneration committee independence do not significantly improve profitability among consumer goods firms in Nigeria. The study recommended that firms should strengthen the operational effectiveness of audit committees, improve the technical competence of risk management committee members, and establish performance-based remuneration systems that align executive compensation with organizational goals and shareholders' interests.

Keywords: Board Committees, Committees' independence, Audit committee independence, Risk management committee independence, Remuneration committee independence, Financial performance

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1. Introduction

Financial performance is a major indicator of effective utilisation of resources of an organization by its management to generate revenue for the shareholders. Every business organization has maximisation of profit as its major objective. When the financial performance of a business is stable and consistent, all the stakeholders will benefit and vice versa. Financial performance is usually determined through accounting-based indicators like Return on Assets (ROA) and Return on Equity (ROE), which capture managerial efficiency and shareholders' wealth creation. These indicators show how corporate organizations are able to generate revenues that result in either profit, underperformance or loss. Every business organisation has prioritised financial performance as a major goal. Over the past years, the financial performance of businesses has been unstable based on their published financial reports. In recent years, the financial performance of firms in emerging economies, particularly Nigeria, has been characterised by instability and inconsistency. This is a cause of worry that needs to be addressed. A positive consistent and sustainable financial performance is very important to all the stakeholders and the economy at large.

Board committees in corporate institutions are established to perform certain duties that are considered to be critical in achieving the overall goal of that organization. Committees are expected to enhance monitoring effectiveness, reduce agency conflicts, and improve corporate accountability, thereby leading to improved financial outcomes.

The Nigerian Code of Corporate Governance (NCCG) mandates corporate organizations to set up certain committees that will handle some important and professional duties that are beneficial to both the management and the shareholders. Committees such as audit, remuneration, and nomination committees are established to strengthen oversight, improve transparency, and support strategic decision-making within firms. Among the most critical features of these committees is their independence, which refers to the extent to which committee members are free from managerial influence and are composed primarily of independent non-executive directors.

Empirical evidence supports this expectation. For instance, Udoh et al. (2023) demonstrate that board committees' independence significantly enhances financial performance by improving monitoring efficiency and reducing managerial opportunism in Nigerian firms. Similarly, Audu and Yahaya (2024) report that audit committee independence improves financial reporting quality, which indirectly contributes to stronger firm performance. In the same vein, governance studies focusing on Nigerian listed firms indicate that board independence and committee effectiveness are positively associated with profitability indicators such as ROA and ROE, although the strength of these relationships varies across studies (Alekiri et al., 2023).

However, despite these theoretical and empirical expectations, practical evidence from Nigeria presents a more complex and inconsistent picture. Several recent studies have reported weak or insignificant relationships between corporate governance mechanisms and financial performance. For example, Oshim and Igwe (2024) demonstrate that board governance variables, including independence structures, do not consistently translate into improved ROA among listed consumer goods firms. Similarly, Oyasor (2025) observes that while governance mechanisms may influence firm valuation, their direct impact on profitability is often limited or statistically insignificant. These inconsistencies suggest that corporate governance structures may exist in form but not in effective function, particularly in environments where enforcement of governance codes is weak and managerial dominance remains high.

Studies have shown that many listed consumer goods firms experience fluctuating profitability despite continuous regulatory reforms and corporate governance improvements (Oshim & Igwe, 2024; Ilo, Uwaleke, & Achema, 2025). This persistent volatility raises concerns about the effectiveness of internal governance mechanisms in ensuring sustainable performance.

Consumer goods companies play a vital role in the economic growth of countries. In Nigeria, household items that the public depends on for their survival are the work of consumer goods companies. These companies also contribute substantially to important things. Therefore, it is important that these companies survive and perform well financially. These companies, irrespective of how they are to the public and the economy, face a lot of challenges. Some of these challenges include intense competition, rising production costs, inflationary pressures, and unstable consumer demand. According to Ilo et al. (2025), the challenges faced by consumer goods companies have contributed to fluctuating profitability among listed firms, making effective governance structures essential for sustaining financial stability. Consequently, the sector provides a relevant context for examining how internal governance mechanisms influence financial results.

Notwithstanding the growing body of literature on corporate governance in Nigeria, a significant gap remains. First, most existing studies focus on general board characteristics rather than committee-level independence, which represents a more refined governance mechanism. Second, studies that examine board committees often analyse them in isolation, particularly audit committees, without considering the combined effects of multiple committees. As noted by Udoh et al. (2023), the lack of integrated governance models limits the understanding of how board structures interact to influence financial performance.

Therefore, this study seeks to fill this gap by examining the effect of board committees' independence on the financial performance of consumer goods companies in Nigeria. Both theoretical and practical grounds justify the study. Theoretically, it contributes to the ongoing debate on whether corporate governance mechanisms genuinely improve firm performance in emerging economies. Practically, it provides evidence that can guide regulators, investors, and corporate boards in strengthening governance structures to improve profitability and long-term sustainability in Nigeria's consumer goods sector.

Research Questions

This study intends to answer the following questions:

i. To what extent does the audit committee's independence influence the financial performance of consumer goods companies in Nigeria?

ii. Does the remuneration committee's independence affect the financial performance of consumer goods companies in Nigeria?

iii. What is the effect of the risk management committee's independence on the financial performance of consumer goods companies in Nigeria?

Hypotheses

H_{01}: Audit committee independence has no significant effect on the financial performance of listed consumer goods companies in Nigeria.

H_{02}: Risk management committee independence has no significant effect on the financial performance of listed consumer goods companies in Nigeria.

H_{03}: Remuneration committee independence has no significant effect on the financial performance of listed consumer goods companies in Nigeria.

2. Literature Review

2.1. Financial Performance

Rutherford (2023) views financial performance as the financial outcomes of an entity arising from its business activities and reflected through income, expenses, and other accounting information reported in the financial statements. Gitman et al. (2022) also defined financial performance as the degree to which management effectively employs organizational resources to generate earnings, increase firm value, and achieve long-term financial objectives. Rompotis (2024) conceptualizes financial performance as a firm's profitability and operating success, which can be assessed using accounting-based indicators such as Return on Assets (ROA) and Return on Equity (ROE). Yoon et al. (2024) view financial performance as the level of profitability achieved by a firm over a given period and measure it using ROA and Tobin's Q to capture both accounting-based and market-based performance.

2.2. Risk Management Committees' Independence

According to Toumeh (2023), risk management committee independence refers to the extent to which the committee comprises independent non-executive directors who can objectively oversee risk management activities without undue influence from management. Awotomilusi et al. (2025), defined risk management committee independence as the extent to which the committee is composed of independent non-executive directors who can provide objective oversight of the firm's risk management activities without undue managerial influence. According to Omoregbee et al. (2025), risk committee independence refers to the proportion of independent members serving on the risk committee.

2.3. Audit Committees' Independence

The degree to which audit committees can operate and fulfill their duties and/or responsibilities without hindrance or conflict of interest is what is meant by audit committee independence (Mbobo & Umoren, 2016). Audit Committee Independence refers to the degree to which members of an audit committee are free from any conflicts of interest and maintain an objective stance in fulfilling their responsibilities (Leng, 2023). Audit Committee Independence is a fundamental pillar of corporate governance, representing the proportion of independent directors in the audit committee (Ahmed & Ahmed, 2022). From this definition, Audit committee independence refers to the extent to which audit committee members are able to carry out their oversight responsibilities objectively, free from conflict of interest, managerial influence, or other impediments to effective judgment.

2.4. Remuneration Committees' Independence

Yang et al. (2025), defined remuneration committee independence as the degree to which the remuneration committee is dominated by independent directors who are free from managerial influence. Efenyumi et al. (2024) describe remuneration committee independence as a governance arrangement in which independent directors determine executive remuneration policies, thereby reducing managerial influence and promoting transparent compensation practices. In simple terms, it is a governance structure that allows independent directors to set executive pay policies objectively, reduce management influence, and support transparent compensation practices.

2.5. Risk Management Committee Independence and Financial Performance

Alduneibat (2023) investigated how the features of risk management committees affect a company's performance in an emerging country. The main objective of the study was to determine the impact of the Risk Management Committee's characteristics on the performance of companies in an emerging country with a sample of 190 non-financial companies. The findings of the study showed a positive and significant association between the independence of the RMC and ROA.

Omoregbee et al. (2025) investigated how risk committee attributes influence the bank performance of Tier 1 and Tier 2 deposit money banks in Nigeria, using the CAMELS framework and panel data from 2012 to 2022. The researchers employed panel regression across 11 banks to evaluate the effects on ROE, capital adequacy, and liquidity. Prior research had treated all bank tiers the same and had not used CAMELS metrics. Results indicated that larger committee size negatively affects ROE and liquidity in Tier 1 banks. In Tier 2 banks, diversity boosts capital adequacy and liquidity; independence improved liquidity in Tier 2 but had a limited impact elsewhere.

Awotomilusi et al. (2025) examined the influence of risk management committee characteristics (size, independence, gender diversity, and meeting frequency) on the market performance of publicly traded insurance firms in Nigeria. The study employed an ex-post-facto design, utilising census sampling from 23 NGX-listed insurance companies between 2012 and 2023. Data from the financial reports of the sampled insurance companies were analysed through regression techniques. The findings of the study indicated that the size, independence, and gender diversity of the RMC had a positive and significant effect on market performance, while the frequency of meetings had a negative and significant effect.

Igbru et al. (2025) investigated the relationship between risk management committee characteristics and the earnings capacity of banks. The study employed the ex-post facto research design and secondary data from the annual financial reports of the sampled banks from Nigeria, Kenya, and Zimbabwe. The study covered a period from 2013 to 2022. The analysis employed descriptive statistics, correlation matrices, and panel regression models. The study's results proved that RMC size has a statistically significant negative effect on earnings capacity, while RMC independence has a significant positive effect.

Ibrahim et al. (2020) studied how the features of risk management committees affect the performance of multinational companies listed on the Nigeria Exchange Group (NGX). The period covered was from 2012 to 2020. The population of the study were multinational firms listed in NXG. The study used data from the annual financial reports of the 14 samples, applying panel regression, correlation analysis, and descriptive statistics. The finding from the study showed that the risk management committee's independence has no significant effect on the financial performance of listed multinational companies in Nigeria.

2.6. Audit Committee Independence and Financial Performance

Isah et al. (2024) examined the impact of audit committee features and financial performance of non-financial listed companies in Nigeria from 2018 to 2021. The whole 76 non-financial companies in Nigeria formed the study's population. The researchers employed an ex-post facto research design in the study. The researchers analysed the data extracted from the annual financial reports of the sampled firms using descriptive statistics, correlation analysis, and multiple regression. The findings from the analysed data showed that ACIND (Audit Committee Independence) and the financial performance of non-financial listed companies were found to be positive and significant.

Kurawa and Shuaibu (2022) examined the effects of audit committee characteristics (AC) on the financial performance of listed non-financial companies in Nigeria from 2013 to 2020. The study has a sample size of 76 non-financial companies out of a population of 133 companies. The researchers used explanatory research to find out the impact of audit committee features on financial performance. The findings of the study indicated that there is a significant negative relationship between ACIND and earnings per share.

Ashari and Krismiaji (2019) studied the impact of audit committee characteristics and financial performance of manufacturing firms listed on the Indonesian Stock Exchange for the years 2016 and 2017. Data from the annual reports of 466 companies which formed the sample of the study were extracted and analysed. The findings of the study showed that all of the characteristics of audit committee positively affect the company's performance.

Saeed (2025) investigated the impact of audit committee characteristics on financial performance in Nigerian listed firms. The study used a stratified sampling technique to arrive at a sample of 94 listed firms covering a period of 5 years, with 470 firm-year observations. The finding of the study indicated that audit committee independence has a statistically significant relationship with return on asset, return on equity and earnings per share.

Eniola and Adebiyi (2023) studied the attributes of audit committees and their impact on the financial performance of Nigerian firms. The study adopted an ex-post facto research design. The population of the study is all listed food and beverage companies in the Nigerian Exchange Group (NXG). Fourteen (14) firms were purposively selected from the sample of the study. The result from the analysed data showed that audit committee independence and audit committee expertise exhibited a positive but insignificant relationship with firm performance (EPS) of listed companies on the Nigeria Exchange Group.

Okeke (2021) undertook an investigation into the relationship between the features of audit committees and the performance of manufacturing enterprises in Nigeria. The study employed an ex post facto research approach, drawing data for analysis from secondary sources covering the years 2012 to 2019. The findings of the study indicated that there is a positive correlation between the size of the audit committee and the number of audit committee meetings and the performance of manufacturing companies in Nigeria. On the other hand, the study reveals a negative correlation between the independence of the audit committee and the performance of manufacturing businesses in Nigeria.

2.7. Renumeration Committee Independence and Financial Performance

Al-Absy and Merza (2024) studied the impact of remuneration committee features of firm performance. The population of the study is all the firms listed in the Bahrain Bourse for two years, which are 2020 and 2021. The findings of the study indicated that the independence of directors in RC and its frequent meetings have no significant impact on the firm’s performance.

Aldegis et al. (2023) studied the impact of the nomination and remuneration committee (NRC) on firm performance in Jordanian publicly traded companies from 2017 to 2020. The objective of the study was to determine the impact of the composition of the nomination and remuneration committee on the financial performance of non-financial companies listed on the Amman Stock Exchange. The findings showed thatcommittee's independence, meetings, and female membership had insignificant impact on Tobin's Q. Also, the committee's independence and size have a positive and significant effect on ROA, while the committee's expertise, meetings, overlap, and female membership have no significant effect on ROA.

Udoh et al. (2023) investigated the correlation between board committees' independence and financial performance of listed non-finance firms in Nigeria. The main objective of the study was to determine the relationship between board committees' independence and the financial performance of listed non-finance firms in Nigeria. The researchers employed the ex-post facto research design, and the population of the study consists of all the listed non-finance firms. The final sample size of the study was 10 non-finance firms that had the needed data for the period under review. The results from the analysed data indicated that audit committee independence significantly influences the performance of non-finance companies in Nigeria; risk committee independence significantly influences the performance of non-finance companies in Nigeria, and remuneration committee independence negatively influences the performance of non-finance companies in Nigeria.

Alimi et al. (2023) examined board structure, remuneration and corporate financial performance in Nigeria: evidence from Nigerian firms from 2011 to 2022. The objective of the study was to ascertain the relationship between board structure, remuneration and financial performance of Nigerian companies. The researchers used a longitudinal research design. The secondary data were extracted from the annual reports of the 13 samples of the study. Panel regression was used to analyse the effect of board structure and board remuneration on the corporate financial performance of selected consumer firms in Nigeria. The findings from the study showed that board size, board independence, board gender diversity and CEO pay slice have a positive and significant impact on return on assets for consumer goods firms.

The empirical literature on committee independence and financial performance presents mixed but predominantly positive evidence across risk management, audit, and remuneration committees. Studies on risk management committee (RMC) independence generally indicate that greater independence enhances firm performance. For example, Alduneibat (2023), Awotomilusi et al. (2025), and Igbru et al. (2025) reported a positive and significant relationship between RMC independence and financial performance, while Omoregbee et al. (2025) found that RMC independence improved liquidity primarily among Tier 2 banks, suggesting that its effectiveness may depend on organisational context. In contrast, Ibrahim et al. (2020) found no significant relationship between RMC independence and the financial performance of multinational companies in Nigeria. Similarly, the evidence on audit committee independence remains inconclusive. Isah et al. (2024), Ashari and Krismiaji (2019), and Saeed (2025) documented a significant positive effect of audit committee independence on financial performance, whereas Kurawa and Shuaibu (2022) and Okeke (2021) reported a significant negative relationship, while Eniola and Adebiyi (2023) found a positive but insignificant association. Regarding remuneration committee independence, the evidence is comparatively less supportive. Aldegis et al. (2023) reported that remuneration committee independence positively influenced return on assets but had no significant effect on Tobin's Q, whereas Al-Absy and Merza (2024) found no significant relationship with firm performance. Conversely, Udoh et al. (2023) observed a significant negative effect of remuneration committee independence on financial performance, although Alimi et al. (2023) demonstrated that broader board independence positively influenced return on assets. Overall, the inconsistencies across sectors, countries, performance measures, and governance contexts suggest that the effectiveness of committee independence in enhancing financial performance remains inconclusive, warranting further empirical investigation.

2.8. Theoretical Framework

This study is anchored on the agency theory developed by Michael C. Jensen and William H. Meckling in 1976. The theory explains the relationship between shareholders (principals) and managers (agents) and posits that managers may pursue personal interests that conflict with the objectives of shareholders. Consequently,

independent board committees are necessary to effectively monitor and control managerial activities, reduce agency conflicts, and ensure accountability in corporate organizations. The theory is relevant to this study because the independence of board committees is expected to strengthen corporate governance practices and enhance the financial performance of consumer goods companies in Nigeria.

3. Methodology

This study adopts an ex-post facto research design to examine the effect of board committees' independence on the financial performance of consumer goods companies listed on the Nigerian Exchange Group (NGX). The population of the study comprises all consumer goods companies listed on the NGX as of 2025. However, the study's sample consists of twelve (12) companies selected from the population. The selection was based on the availability and completeness of relevant disclosures on board committees' independence and other required variables for the period under review.

The study covers a ten-year period from 2016 to 2025. Secondary data were utilised for the analysis, and these were extracted from the annual reports and financial statements of the sampled companies. The use of secondary data is appropriate as it provides audited and reliable information necessary for assessing corporate governance attributes and financial performance indicators. The data obtained will be used to evaluate the relationship between board committees' independence and the financial performance of the selected consumer goods firms in Nigeria.

3.1. Model Specification

The model for the study is stated below:

$ROA_{it}=\beta 0+\beta_1 AUCI_{it}+\beta_2 RMCI_{it}+\beta_3 RCI_{it}+\beta_4 ROE_{it}+\beta_5 EPS_{it}+\mu i+\varepsilon_{it}$

Where:

ROA_{it}= Return on Assets of firm $i$at time $t, AUCI_{it}$= Audit Committee Independence, $RMCI_{it}$= Risk Management Committee Independence, RCI_{it}= Remuneration Committee Independence, OE_{it}= Return on Equity (control variable), EPS_{it}= Earnings per Share (control variable), β_0= intercept, $\beta_1 - \beta_5$= coefficients of the explanatory variables, μ_i= unobserved firm-specific effects, ε_{it}= error term.

4. Result and Discussions

4.1. Descriptive Statistics

Table 1: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
ROA	110	0.0727	0.1723	-0.31	0.79
AUCI	110	0.2557	0.1634	0.00	0.50
RMCI	110	0.4394	0.3100	0.00	1.00
RCI	110	0.4431	0.3078	0.00	1.00
ROE	110	-0.0033	2.6647	-25.34	8.54
EPS	110	188.9904	2831.4260	-20765	13242

Source: Stata 17 Output, 2026.

The descriptive statistics show the distribution and basic characteristics of the study variables across 110 observations. The average return on assets (ROA) is 0.0727, indicating that, on average, firms generate about a 7.3% return from their total assets. However, the relatively high standard deviation (0.1723) and the range from -0.31 to 0.79 suggest considerable variation in firm performance, with some firms experiencing losses while others record strong profitability.

The mean value of audit committee independence (AUCI) is 0.2557, implying that about 25.6% of audit committee members are independent on average. The minimum value of 0 indicates that some firms have no independent members on their audit committees, while the maximum of 0.5 suggests that independence does not exceed 50% in any firm, reflecting generally low to moderate levels of independence.

For risk management committee independence (RMCI), the mean is 0.4394, indicating that approximately 44% of committee members are independent on average. The values range from 0 to 1, showing that while some firms have fully independent committees, others have none, reflecting wide disparities in governance structure. Similarly, remuneration committee independence (RCI) averages 0.4431, suggesting that about 44% of members are independent. The distribution also ranges from 0 to 1, indicating variability across firms in ensuring independence in executive pay decisions.

4.2. Correlation Analysis

Table 2: Correlation Matrix

Variable	ROA	AUCI	RMCI	RCI	ROE	EPS
ROA	1.000					
AUCI	0.085	1.000				
RMCI	-0.079	0.587	1.000			
RCI	-0.170	0.438	0.673	1.000		
ROE	0.229	-0.028	-0.027	-0.055	1.000	
EPS	0.287	0.037	-0.079	-0.065	0.219	1.000

Source: Stata 17 Output, 2026.

According to Hair et al. (2019) and Cohen (1988), correlation coefficients can be interpreted as follows: 0.10–0.29 = weak, 0.30–0.49 = moderate, and 0.50 and above = strong relationship, while values close to zero indicate a negligible relationship. The correlation between ROA and AUCI (0.085) is positive but below 0.10, indicating a negligible to very weak relationship. This suggests that audit committee independence has virtually no meaningful linear association with ROA in the sampled firms. The relationship between ROA and RMCI (-0.079) is also negligible and negative, falling below the 0.10 threshold. This implies that the independence of the risk management committee does not meaningfully influence ROA in either direction. Similarly, ROA and RCI (-0.170) show a weak negative relationship, as the value lies within the 0.10–0.29 range (weak relationship) but in an inverse direction. This suggests that higher remuneration committee independence is slightly associated with lower ROA, although the effect is still weak.

4.3. Normality Test

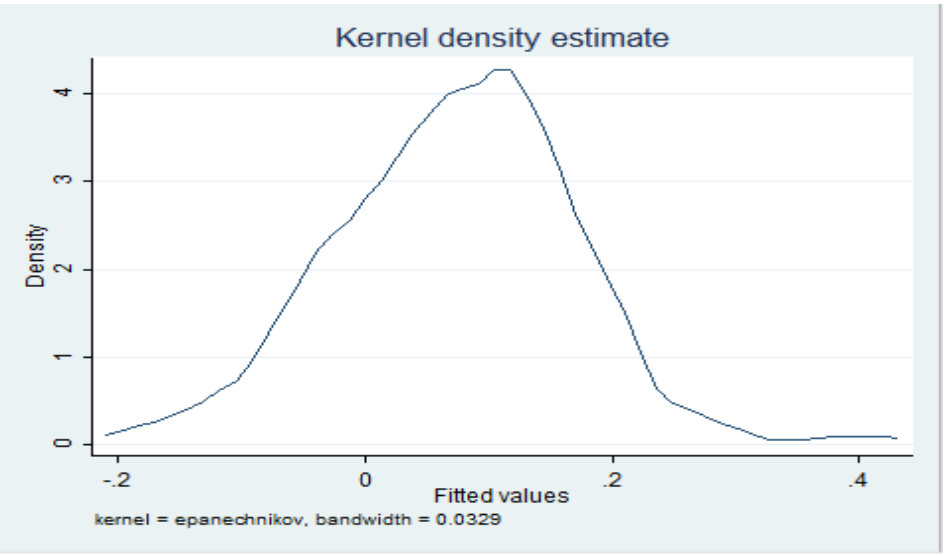

Figure 1: *Kernel Density*

Source: Stata 17 Output, 2026

The kernel density estimate of the fitted values indicates a generally unimodal and approximately bell-shaped distribution, suggesting that most of the predicted values are concentrated around the central region (about 0.10–0.15). The curve shows a slight positive skewness, as the right tail extends further (up to about 0.4) compared to the left tail (around -0.2), indicating a small proportion of higher fitted values. In line with Silverman (1986) and Wand and Jones (1995), a distribution is considered approximately normal when it is unimodal with relatively symmetric tails; thus, the observed pattern suggests an approximate normal distribution with minor deviation from perfect symmetry. The smoothness of the curve, achieved using an Epanechnikov kernel with a bandwidth of 0.0329, indicates an appropriate balance between over-smoothing and under-smoothing, thereby providing a reliable representation of the underlying data structure. Hence, the graph suggests no severe departure from normality, implying that the fitted values are reasonably well distributed and consistent with basic regression assumptions of model adequacy (Silverman, 1986; Gujarati, 2004).

4.4. Multicollinearity

Table 3: Variance Inflation Factor (VIF) Test

Variable	VIF	1/VIF
RMCI	2.29	0.4367
RCI	1.84	0.5424
AUCI	1.55	0.6443
EPS	1.07	0.9353
ROE	1.05	0.9486
Mean VIF	1.56	

Source: Stata 17 Output, 2026.

The Variance Inflation Factor (VIF) results indicate that there is no serious multicollinearity problem among the explanatory variables in the model. Specifically, RMCI has the highest VIF value of 2.29, followed by RCI (1.84) and AUCI (1.55), while EPS (1.07) and ROE (1.05) record very low values. The mean VIF of 1.56 is also well below the commonly accepted threshold. According to Gujarati (2004) and Hair et al. (2019), multicollinearity is a concern only when VIF values exceed 10, although some stricter studies use a cutoff of 5. Because all of the variables in this study are well below both thresholds, it can be said that multicollinearity does not pose a risk to the accuracy of the regression estimates. This implies that the independent variables are not highly correlated in a way that would distort coefficient estimates or inflate standard errors, thereby supporting the robustness and stability of the model results.

4.5. Model Specification

Table 4: Ramsey RESET

Test	F-Statistic	df	P-Value
Ramsey RESET test (using powers of fitted values of ROA)	2.77	(3, 101)	0.146

Source: Stata 17 Output, 2026

The Ramsey RESET test results indicate that the model has no specification issue. The null hypothesis of the test states that the model has no omitted variables, meaning it is correctly specified. However, the F-statistic is 2.77 with a probability value of 0.146. Following econometric decision rules (Gujarati, 2004; Wooldridge, 2016), since the p-value is above 0.05, the null hypothesis is failed to be rejected. This suggests that there is statistical evidence of no omitted variables in the model.

4.6. Serial Correlation

Table 5: Autocorrelation

Test	F-Statistic	df	P-Value
Wooldridge test for first-order autocorrelation	29.546	(1, 10)	0.000

Source: Stata 17 Output, 2026.

The Wooldridge test for autocorrelation in panel data indicates the presence of first-order serial correlation in the model. The null hypothesis states that there is no first-order autocorrelation in the idiosyncratic errors. However, the result shows an F-statistic of 29.546 with a probability value of 0.000, which is far below the 5% significance level. Based on standard econometric decision rules (Wooldridge, 2010; Gujarati, 2004), the null hypothesis is therefore rejected. This implies that the error terms in the panel regression are serially correlated across time. In practical terms, this means that past error terms influence current error terms, violating one of the classical linear regression assumptions of independence. The presence of autocorrelation may lead to inefficient coefficient estimates and biased standard errors, which can affect hypothesis testing and inference. Consequently, the model may require corrective measures such as the use of robust standard errors or other panel-corrected estimation techniques to ensure reliable and efficient estimates.

4.7. Cross-Sectional Dependence Test

Table 6: Breusch–Pagan LM Test for Cross-Sectional Dependence

Test	Statistic	df	P-Value
Breusch–Pagan LM test of independence	69.341	55	0.092

Source: Stata 17 Output, 2026.

The results of the Breusch–Pagan LM test for cross-sectional dependence show that there is no statistically significant evidence of interdependence among the panel residuals. The null hypothesis assumes that residuals across the cross-sectional units are independent, and the test produces a chi-square value of 69.341 with a probability value of 0.092. Since the p-value is greater than the 5% significance level, the null hypothesis cannot be rejected, implying that there is no statistically significant cross-sectional dependence in the model. In line with established econometric literature (Baltagi, 2008; Greene, 2018), the absence of significant cross-sectional dependence suggests that the regression estimates are not biased by inter-firm interdependence, thereby confirming that the model satisfies the assumption of cross-sectional independence and supporting the reliability of the estimated results.

4.8. Groupwise Heteroskedasticity Test

Table 7: Modified Wald Test

Test	Statistic	df	P-Value
Modified Wald test for groupwise heteroskedasticity	655.37	11	0.000

Source: Stata 17 Output, 2026.

The results of the Modified Wald test indicate the presence of groupwise heteroskedasticity, as the chi-square value of 655.37 with a p-value of 0.0000 leads to a rejection of the null hypothesis of constant variance across panels. This implies that the error variances differ significantly across the cross-sectional units, thereby violating the assumption of homoskedasticity (Greene, 2018; Wooldridge, 2010). In addition, earlier diagnostic tests confirmed the existence of first-order serial correlation in the panel structure, suggesting that the error terms are both heteroskedastic and autocorrelated. Given these violations, the use of conventional fixed or random effects estimators would yield inefficient estimates and biased standard errors, making statistical inference unreliable. Consequently, the application of xtpcse, corr(ar1) hetonly, is justified, as it corrects for heteroskedasticity across panels and AR(1) serial correlation within panels. According to Beck and Katz (1995), panel-corrected standard errors are appropriate for such conditions because they produce more reliable standard errors and valid inferences in the presence of heteroskedasticity and autocorrelation, thereby improving the robustness of the regression results.

4.9. Regression Result

Table 8: Panel-Corrected Standard Errors

Variable	Coefficient (β)	z-value	p-value
AUCI	0.2363	2.18	0.029
RMCI	-0.0400	-0.50	0.616
RCI	-0.1477	-1.76	0.078
R-squared			0.209
Wald chi^2 (5)			55.12
Prob > chi^2			0.000

Source: Stata 17 Output, 2026.

The results of the Prais–Winsten regression with panel-corrected standard errors indicate the presence of both heteroskedasticity and AR(1) autocorrelation across the panel structure, which justifies the use of this estimation technique for robust inference. The model is based on 110 observations across 11 groups, with balanced panels of 10 observations each. The Wald chi-square statistic of 55.12, with a probability value of 0.0000, shows that the model is statistically significant overall, meaning that the explanatory variables jointly have a significant effect on the return on assets (ROA). The independent variables explain approximately 20.9% of the variation in ROA, as indicated by the R-squared value of 0.2085, which suggests moderate explanatory power.

For audit committee independence, the result shows a positive and statistically significant relationship with ROA ($\beta = 0.2363$, $p = 0.029$). This means that an increase in audit committee independence leads to an improvement in firm profitability. This suggests that firms with more independent audit committees are more effective in monitoring financial reporting, reducing managerial opportunism, and enhancing asset efficiency. This finding is consistent with the a priori expectation, which predicts a positive relationship between governance independence and firm performance. It also supports agency theory, which argues that independent oversight mechanisms reduce agency conflicts between managers and shareholders, thereby improving performance. Therefore, the hypothesis stating that AUCI has no significant effect on ROA is rejected. This result aligns with the findings of Al Amosh and Khatib (2021) and Bansal and Sharma (2022), who reported that audit committee independence enhances financial performance. However, it contradicts studies by Al-Matari et al. (2023) and Okeke (2023), which found no significant relationship between audit committee independence and firm performance.

For the independence of the risk management committee, the coefficient is negative and statistically insignificant ($\beta = -0.0400$, $p = 0.616$), indicating that this independence has no meaningful effect on ROA. This suggests that the independence of the risk management committee does not necessarily translate into improved asset profitability, possibly due to weak enforcement or symbolic compliance in governance structures. This result contradicts the a priori expectation, which predicts a positive effect, and provides no support for agency theory, as independence in this case does not appear to effectively reduce agency problems. Consequently, the null hypothesis that RMCI has no significant effect on ROA is not rejected. This finding is consistent with Abdullah and Valentine (2020) and Olayiwola et al. (2021), who found no significant effect of risk governance

structures on firm performance. However, it contradicts Toumeh (2023) and Almulhim et al. (2024), who reported a positive relationship between risk governance and firm performance.

For remuneration committee independence, the result shows a negative and marginally insignificant relationship with ROA ($\beta = -0.1477$, $p = 0.078$). This implies that greater independence in remuneration committees may be associated with slightly lower profitability, although the effect is weak. This could indicate that excessive independence in pay-setting structures may lead to misaligned incentives or inefficient compensation systems that do not necessarily enhance productivity. This finding contradicts the a priori expectation, which suggests a positive relationship, and provides partial invalidation of agency theory, as independence in remuneration decisions does not appear to improve firm outcomes. The null hypothesis that RCI has no significant effect on ROA is not rejected. This result is consistent with Kabiru and Mohammed (2024) and Aigienohuwa et al. (2025), who found weak or negative effects of remuneration committee independence on performance. However, it contradicts Brick et al. (2023) and Core et al. (2024), who reported that strong and independent remuneration committees improve firm performance by aligning executive incentives with shareholder value.

5. Conclusion and Recommendations

The study concludes that corporate governance mechanisms exert mixed effects on firm performance as measured by return on assets (ROA). Specifically, audit committee independence (AUCI) has a positive and statistically significant effect on ROA, indicating that stronger audit oversight enhances financial performance by improving monitoring and accountability, thereby supporting agency theory. In contrast, risk management committee independence (RMCI) shows a negative and statistically insignificant effect, suggesting that its current implementation does not meaningfully contribute to profitability in the sampled firms. Similarly, remuneration committee independence (RCI) exhibits a weak and negative relationship with ROA, implying that excessive independence in executive compensation decisions may not necessarily translate into improved firm performance. The findings suggest that while certain governance structures such as audit committees are effective in enhancing firm value, others may exist largely as formal compliance mechanisms without substantial impact on financial outcomes.

Based on the findings, the study recommends that consumer goods firms should strengthen the effectiveness of audit committee independence by ensuring that independent members are not only appointed for compliance purposes but are also actively involved in financial oversight, internal control evaluation, and audit reporting processes, as this has been shown to enhance profitability. For risk management committees, firms should go beyond mere structural compliance with governance codes and focus on improving the technical competence and professional capacity of committee members so that risk identification, assessment, and mitigation processes can translate into improved financial performance. Similarly, remuneration committees should reassess executive compensation structures to ensure that independence does not create misalignment between pay decisions and firm performance but instead supports transparent, performance-based incentive systems that promote value creation. From a regulatory perspective, the study specifically recommends that the Securities and Exchange Commission (SEC) Nigeria, the Financial Reporting Council of Nigeria (FRCN), and the Nigerian Exchange Group (NGX) should strengthen enforcement of the Nigerian Code of Corporate Governance (2018) by not only ensuring compliance with the establishment of these committees in listed consumer goods firms but also introducing periodic assessments of their effectiveness, with emphasis on how actively they contribute to financial oversight, risk governance, and executive compensation alignment.

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