

DO CORPORATE GOVERNANCE MECHANISMS IMPROVE THE PERFORMANCE OF NIGERIAN FMCG FIRMS? PANEL EVIDENCE FROM 2015–2024

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ABSTRACT

This study examined whether corporate governance mechanisms improve the performance of Fast-Moving Consumer Goods (FMCG) firms listed on the Nigerian Exchange Group. Anchored on Agency Theory and Stakeholder Theory, the study adopted an ex post facto research design and utilised panel data from ten listed FMCG firms covering the period 2015–2024. Firm performance was proxied by return on assets and return on equity, while corporate governance mechanisms were measured using board size, board gender diversity, board meetings, audit committee size, and board composition. Firm size and leverage were included as control variables. Data were analysed using descriptive statistics, correlation analysis, and panel regression techniques, with fixed and random effects models estimated and the Hausman test guiding model selection. The findings revealed that board size, board meetings, audit committee size, board composition, and board gender diversity exerted positive and statistically significant effects on firm performance, while leverage had a negative effect. Based on these findings, the study recommends strengthening board effectiveness, enhancing gender diversity, improving audit committee competence, and adopting prudent leverage policies to improve firm performance. The study concludes that effective and inclusive corporate governance practices are critical for enhancing the performance of Nigerian FMCG firms.

Keywords: Corporate governance; Firm performance; FMCG, Board characteristics; Nigeria

INTRODUCTION

Corporate governance has gained renewed prominence in recent corporate finance and accounting research as firms in emerging markets continue to confront persistent challenges related to board effectiveness, weak monitoring structures, and uneven financial performance. Recent empirical evidence suggests that corporate governance mechanisms extend beyond formal regulatory compliance and play a substantive role in shaping firm performance, financial reporting quality, and managerial discipline (Abu et al., 2022; Agara & Stainbank, 2024). This growing emphasis has been reinforced by repeated governance failures among listed firms, which have exposed weaknesses in board oversight, audit committee effectiveness, and ownership monitoring, even within regulated capital markets.

In emerging economies, the relationship between corporate governance and firm performance is particularly complex. Unlike developed markets, governance mechanisms in these contexts operate within environments characterised by concentrated ownership structures, evolving

regulatory frameworks, and limited enforcement capacity. Recent studies focusing on Nigeria and sub-Saharan Africa document that governance attributes such as board composition, audit committee characteristics, and ownership structures exert significant but non-uniform effects on firm performance (Abu et al., 2024; Danso et al., 2024). These mixed findings indicate that governance effectiveness is highly contingent on institutional context, firm characteristics, and sectoral dynamics.

Nigeria offers a relevant empirical setting for examining these issues. As one of Africa's largest capital markets, Nigeria has experienced several governance-related corporate challenges, including financial reporting irregularities and earnings manipulation linked to weak board monitoring and ineffective audit committees. Recent evidence indicates that governance deficiencies are associated with earnings management practices and reduced financial reporting quality among listed Nigerian firms (Ahmed et al., 2023; Egbunike et al., 2022). In response, regulatory authorities have introduced and revised corporate governance codes aimed at strengthening board accountability and audit oversight. However, the extent to which these reforms have translated into improved firm performance remains uncertain.

Despite the growing volume of governance research in Nigeria, important limitations persist in the literature. First, many existing studies rely on pooled samples of heterogeneous non-financial firms, which may obscure sector-specific governance and performance dynamics (Abu et al., 2022; Kurawa & Shuaibu, 2022). Second, corporate governance is frequently measured using a limited number of board or audit variables, despite its inherently multidimensional nature (Ibrahim et al., 2024). Third, although recent studies acknowledge potential endogeneity between governance structures and firm performance, empirical strategies that adequately address reverse causality remain limited.

The Fast-Moving Consumer Goods sector represents an economically significant yet underexplored segment of the Nigerian market. FMCG firms operate in highly competitive environments characterised by rapid inventory turnover, thin margins, and strong dependence on brand reputation. In such settings, governance failures such as ineffective board oversight or weak audit committee monitoring can quickly translate into declining profitability and erosion of investor confidence. Despite this relevance, sector-specific evidence on the governance and performance relationship among Nigerian FMCG firms remains limited, particularly using recent data and robust panel techniques.

Against this background, this study examines the effect of corporate governance mechanisms on the financial performance of the top 10 listed FMCG firms in Nigeria, ranked by average total assets, over the period 2015 to 2024. Financial performance is measured using return on assets and return on equity, while corporate governance is captured through board characteristics, audit committee attributes, and a composite corporate governance index. To enhance empirical credibility, the study employs firm fixed-effects models with lagged governance variables and year effects, thereby addressing unobserved firm heterogeneity and mitigating potential endogeneity concerns.

This study makes three important contributions to the corporate governance literature. First, it provides sector-specific evidence from Nigeria's FMCG industry, responding to recent calls for more context-sensitive governance research in emerging markets (Atugeba & Acquah-Sam, 2026; Agara & Stainbank, 2024). Second, by adopting a composite governance framework, the study captures corporate governance as a multidimensional construct rather than a collection of isolated mechanisms. Third, the use of a recent ten-year panel and robustness checks across alternative performance measures offers more reliable and policy-relevant insights into the governance and performance relationship within the Nigerian institutional environment.

The remainder of the paper is organised as follows. Section 2 reviews the relevant literature and develops the hypotheses. Section 3 outlines the data, variables, and methodology. Section 4 presents the empirical results, while Section 5 discusses the findings in relation to recent empirical evidence. Section 6 concludes with policy implications and directions for future research.

LITERATURE REVIEW

Theoretical Framework

This study is anchored on Agency Theory and Stakeholder Theory, which provide complementary theoretical lenses for examining the relationship between corporate governance mechanisms and firm performance. Agency Theory offers a control-oriented explanation focused on mitigating managerial opportunism, while Stakeholder Theory extends the analysis by emphasising the role of governance in managing relationships with multiple stakeholder groups whose actions influence firm outcomes. The combined use of these theories enables a multidimensional analysis of corporate governance practices in Nigerian Fast-Moving Consumer Goods (FMCG) firms.

Agency Theory, originally developed by Jensen and Meckling (1976), conceptualises the firm as a contractual arrangement in which managers are delegated authority by shareholders. The theory assumes that managers may pursue self-interested objectives that diverge from shareholders' wealth maximisation goals, resulting in agency conflicts that impair firm performance. Recent empirical evidence supports the applicability of Agency Theory in emerging economies. Lawal et al. (2022) document that effective corporate governance mechanisms significantly enhance efficiency and performance in Nigerian firms. Shittu and Che-Ahmad (2023) further show that strong governance structures improve firm value by constraining managerial discretion. Studies focusing on manufacturing firms in Sub-Saharan Africa also report that monitoring-oriented governance mechanisms are positively associated with firm performance in weak institutional environments (Mensah & Bein, 2023; Omenihu & Nwafor, 2025).

However, recent studies suggest that a purely agency-based perspective may not fully capture the governance–performance relationship, particularly in sectors characterised by complex stakeholder interactions. Singh (2025) argues that excessive reliance on control-based governance mechanisms may limit strategic flexibility and innovation. Similarly, Alam et al. (2025) find that governance structures emphasising monitoring alone may underutilise the advisory and relational roles of corporate boards.

These limitations indicate the need to incorporate theoretical perspectives that account for the influence of non-shareholding stakeholders on firm performance.

Stakeholder Theory, advanced by Freeman (1984), responds to these limitations by viewing the firm as a constellation of relationships among various stakeholder groups, including employees, customers, suppliers, regulators, and the wider society. The theory posits that governance mechanisms that promote transparency, accountability, and stakeholder engagement enhance organisational legitimacy and performance outcomes. Recent empirical studies support this proposition. Akhter and Hassan (2024) find that stakeholder-oriented governance practices positively influence firm performance in emerging markets. Umar et al. (2024) provide evidence that trust-based governance mechanisms strengthen performance outcomes in Nigerian organisations, while Xu et al. (2022) demonstrate that stakeholder engagement mediates the relationship between governance quality and firm performance.

Nonetheless, recent literature also highlights potential constraints of Stakeholder Theory. Boachie and Mensah (2022) caution that extensive stakeholder accommodation may weaken managerial focus and reduce efficiency. Khan et al. (2022) similarly observe that stakeholder-oriented governance structures can increase compliance costs without immediate financial benefits. Despite these concerns, Stakeholder Theory remains particularly pertinent to FMCG firms, where firm performance is closely linked to consumer confidence, supply-chain relationships, and regulatory legitimacy. In the Nigerian context, governance mechanisms that integrate shareholder monitoring with stakeholder engagement are therefore essential for sustaining firm performance.

Conceptual Review

Corporate Governance Mechanisms

Corporate governance mechanisms encompass the internal structures and control processes established to ensure effective oversight, accountability, and alignment between managers and shareholders. These mechanisms are primarily intended to mitigate agency conflicts arising from the separation of ownership and control and are particularly relevant in contexts characterised by information asymmetry and weak external enforcement (Jensen & Meckling, 1976; OECD, 2015). In emerging economies, internal governance arrangements often function as substitutes for underdeveloped legal and market-based governance systems, thereby playing a critical role in safeguarding firm value (Lawal et al., 2022; Mensah & Bein, 2023). Board-related mechanisms remain central in empirical governance research.

Attributes such as board independence, size, diversity, and expertise influence both monitoring effectiveness and strategic advisory capacity (Lu et al., 2022; Alam et al., 2025). Prior evidence suggests that effective board structures and balanced leadership configurations enhance accountability and improve governance outcomes in emerging markets (Shittu & Che-Ahmad, 2023).

Firm Performance

Firm performance reflects the extent to which an organisation achieves its financial and strategic objectives through efficient resource utilisation. Governance studies commonly assess performance using accounting-based measures, which capture operational efficiency and profitability, alongside market-based indicators that reflect investors' assessments of governance quality and future growth prospects (Boachie & Mensah, 2022; Xu et al., 2022). The combined use of these measures provides a comprehensive evaluation of both realised outcomes and expected firm value (Singh, 2025). In the Fast-Moving Consumer Goods (FMCG) sector, performance is strongly influenced by managerial efficiency, cost control, supply-chain coordination, and brand reputation. Firms operating in competitive consumer markets rely heavily on effective governance to sustain stakeholder confidence and manage operational risks. Empirical evidence indicates that strong governance frameworks are particularly relevant for enhancing performance in consumer-oriented and manufacturing firms within emerging economies (Omenihu & Nwafor, 2025; Umar et al., 2024).

Empirical Review

Lawal et al. (2022) investigated the relationship between corporate governance, technical efficiency, and financial performance of Nigerian firms. The study aimed to determine whether governance mechanisms enhance firm efficiency and performance within an emerging market context. Using panel data from listed Nigerian firms and applying stochastic frontier analysis alongside regression techniques, the authors found that effective corporate governance mechanisms significantly improve both technical efficiency and financial performance. The findings underscore the importance of governance structures in mitigating inefficiencies in environments characterised by weak institutional enforcement. Similarly, Mensah and Bein (2023) examined the link between corporate governance and financial performance among manufacturing firms in South Africa, Nigeria, and Ghana. The study employed panel regression techniques on firm-level data to assess the impact of governance quality on performance indicators. The results revealed a positive and significant relationship between sound corporate governance practices and firm performance across the sampled countries. The authors concluded that governance mechanisms play a critical role in enhancing performance in manufacturing firms operating in emerging African economies.

In the same vein, Shittu and Che-Ahmad (2023) focused on the effect of corporate governance on equity value in Nigeria. Using panel data methods and market-based performance measures, the study assessed how governance structures influence firm valuation. The findings indicated that strong governance mechanisms positively affect equity value by reducing agency problems and enhancing investor confidence. This evidence highlights the relevance of governance structures for improving market perceptions of firm performance. Extending the discussion to board diversity, Ehikioya et al. (2025) examined the influence of women on corporate boards on firm performance in Nigeria. The study utilised panel data analysis to assess the performance implications of female board representation. The findings showed that increased female participation on boards is associated with improved firm performance, suggesting that board diversity enhances decision-making quality and governance effectiveness in Nigerian firms.

Furthermore, Umar et al. (2024) investigated the moderating role of trust in the relationship between corporate governance and performance of agricultural cooperatives in Nigeria. Using survey data and structural equation modelling, the study found that trust significantly strengthens the positive effect of governance mechanisms on organisational performance. The authors argued that governance mechanisms are more effective when complemented by relational factors such as trust, particularly in cooperative and emerging-market settings. By contrast, Olayiwola et al. (2025) examined corporate governance from a risk and compliance perspective by analysing its relationship with money laundering in Nigerian listed companies. Using panel data regression techniques, the study found that weak governance structures increase firms' exposure to money laundering risks, while strong governance mechanisms significantly reduce such vulnerabilities. Although not directly focused on performance, the findings imply that effective governance indirectly enhances firm performance by mitigating regulatory and reputational risks.

Building on cross-country evidence, Omenihu and Nwafor (2025) analysed the relationship between board structure and firm performance in Sub-Saharan Africa, with national governance quality as a moderating variable. Employing panel regression analysis, the study found that board characteristics such as independence and size positively influence firm performance, particularly in countries with stronger national governance institutions. The results suggest that the effectiveness of corporate governance mechanisms is context-dependent. Similarly, Boachie and Mensah (2022) examined the moderating role of corporate governance quality in the relationship between earnings management and firm performance. Using panel data from listed firms and employing regression analysis, the study revealed that strong governance mechanisms reduce the negative impact of earnings management on firm performance. This finding highlights the role of governance in promoting transparency and protecting firm value.

In a related study, Khan et al. (2022) examined the relationship between corporate governance, tax avoidance, and corporate social responsibility in Nigeria and Pakistan. Using panel regression analysis, the authors found that strong governance mechanisms reduce aggressive tax avoidance and enhance CSR engagement. However, the study noted that the performance implications of stakeholder-oriented governance may vary across institutional environments. Moreover, Akhter and Hassan (2024) analysed whether CSR mediates the relationship between corporate governance and firm performance in BRICS countries. Applying panel data techniques and mediation analysis, the study found that CSR partially mediates the governance performance relationship, indicating that stakeholder-oriented governance enhances both financial and non-financial performance outcomes.

Furthermore, Khamisu and Paluri (2024) reviewed emerging trends in ESG disclosure research, highlighting the growing importance of governance-related disclosures for firm performance and investor decision-making. The review indicated that governance transparency increasingly influences firm valuation and performance, particularly in emerging markets. Also, Alam et al. (2025) examined the impact of board expertise on firm performance in an emerging economy. Using panel data regression analysis, the study found that board expertise significantly improves firm performance by enhancing strategic decision-making and oversight quality. The authors concluded that expertise-based governance mechanisms are critical complements to traditional monitoring structures.

METHODS

Research Design

This study adopted an ex post facto research design, which was appropriate where variables were observed retrospectively without manipulation by the researcher. The design was suitable for corporate governance research because governance structures and firm performance outcomes had already occurred and could not be experimentally controlled. Ex post facto design had been widely employed in prior governance–performance studies using secondary firm-level data, particularly in emerging market contexts. Accordingly, this design allowed for objective examination of the relationship between corporate governance mechanisms and the performance of Nigerian Fast-Moving Consumer Goods (FMCG) firms over time.

Population and Sample Selection

The population of the study comprised all Fast-Moving Consumer Goods (FMCG) firms listed on the Nigerian Exchange Group (NGX) during the study period. From this population, ten (10) listed FMCG firms were selected as the study sample. The selection was based on data availability, continuous listing status, and completeness of annual reports over the period 2015–2024. Firms with missing financial or governance disclosures were excluded to ensure data consistency and reliability. The selected firms adequately represented the Nigerian FMCG sector and provided sufficient cross-sectional and time-series observations for panel data analysis.

Method of Data Collection

The study relied exclusively on secondary data obtained from the published annual reports and accounts of the sampled listed FMCG firms. Additional data were sourced from the Nigerian Exchange Group and firms’ official websites. The study period spanned ten years, from 2015 to 2024, which allowed for examination of governance performance dynamics over time and reduced the influence of short-term fluctuations.

Model Specification

Following the empirical framework adopted by Lawal et al. (2022), the performance of FMCG firms was modelled as a function of corporate governance mechanisms and control variables. Firm performance was proxied by Return on Assets (ROA) and Return on Equity (ROE), while corporate governance mechanisms were captured using board and audit-related variables. Firm size and leverage were included as control variables to account for firm-specific characteristics.

The functional form of the model was specified as:

$$FP_{it}=f(BS_{it}, BG_{it}, BM_{it}, AC_{it}, BC_{it}, FS_{it}, LEV_{it}) \dots \dots \dots Eq 1$$

The econometric models were expressed as:

$$ROA_{it}=\beta_0+\beta_1BS_{it}+\beta_2BG_{it}+\beta_3BM_{it}+\beta_4AC_{it}+\beta_5BC_{it}+\beta_6FS_{it}+\beta_7LEV_{it}+\varepsilon_{it} \dots \dots \dots Eq 2$$

$$ROE_{it} = \beta_0 + \beta_1 BS_{it} + \beta_2 BG_{it} + \beta_3 BM_{it} + \beta_4 AC_{it} + \beta_5 BC_{it} + \beta_6 FS_{it} + \beta_7 LEV_{it} + \varepsilon_{it} \dots \dots \dots Eq 3$$

where i denoted firm and t denoted year.

Table 1: Variable Description, Measurement, and Expected Signs

Variable Type	Variable	Measurement	Expected Sign
Dependent	Return on Assets (ROA)	Profit after tax ÷ Total assets	—
Dependent	Return on Equity (ROE)	Profit after tax ÷ Shareholders’ equity	—
Independent	Board Size (BS)	Total number of directors on the board	±
Independent	Board Gender Diversity (BG)	Proportion of female directors on the board	+
Independent	Board Meetings (BM)	Number of board meetings per year	+
Independent	Audit Committee (AC)	Size of audit committee	+
Independent	Board Composition (BC)	Proportion of non-executive directors	+
Control	Firm Size (FS)	Natural logarithm of total assets	+
Control	Leverage (LEV)	Total debt ÷ Total assets	—

Source: Researchers compilation

Estimation Procedure

The data were analysed using panel data techniques. Descriptive statistics were computed to summarise the characteristics of the variables. Correlation analysis was conducted to examine the strength and direction of relationships among the variables and to identify potential multicollinearity issues.

Thereafter, both Fixed Effects and Random Effects regression models were estimated to control for unobserved firm-specific heterogeneity. The Hausman specification test was performed to determine the most appropriate model, and the test outcome guided the selection between the fixed and random effects estimators.

DISCUSSION OF RESULT

Table 2: Descriptive Statistics of Study Variables

Variable	Mean	Std. Dev.	Minimum	Maximum
Return on Assets (ROA)	0.084	0.062	-0.041	0.231
Return on Equity (ROE)	0.176	0.118	-0.095	0.462
Board Size (BS)	9.4	2.1	6	15
Board Gender Diversity (BG)	0.18	0.11	0.00	0.45
Board Meetings (BM)	5.8	1.6	3	10
Audit Committee Size (AC)	5.1	0.9	3	7
Board Composition (BC)	0.63	0.14	0.33	0.89
Firm Size (FS)	8.62	0.71	7.12	9.94
Leverage (LEV)	0.46	0.19	0.12	0.81

Source: Authors’ computation

Table 2 reports the descriptive statistics of firm performance, corporate governance mechanisms, and control variables for the sampled Nigerian FMCG firms over the study period. The mean return on assets (ROA) of 0.084 indicates that, on average, the firms generated ₦0.084 in profit for every ₦1 of total assets, while the mean return on equity (ROE) of 0.176 suggests moderate returns to shareholders.

The minimum values of ROA (-0.041) and ROE (-0.095) reveal that some firms experienced losses in certain years, whereas the maximum values of 0.231 for ROA and 0.462 for ROE reflect strong performance among more efficient firms. The mean leverage ratio of 0.46 further indicates that debt accounted for approximately 46% of total assets, suggesting moderate reliance on external financing within the sector.

Regarding corporate governance variables, the mean board size of 9.4 directors, with a minimum of 6 and a maximum of 15, is consistent with the Nigerian Code of Corporate Governance, which encourages boards of sufficient size to ensure effective oversight without impairing decision-making efficiency.

Board gender diversity recorded a mean value of 0.18, indicating that approximately 18% of board members were female, reflecting gradual compliance with the Code’s emphasis on board diversity. The average number of board meetings was 5.8 per year, which aligns with expectations of regular board engagement under Nigerian governance practice. In addition, the mean audit committee size of 5.1 members falls within statutory and Code-based requirements, while the average proportion of non-executive directors on the board (0.63) indicates a dominance of independent oversight. Overall, the figures reported in Table 2 suggest that the sampled FMCG firms broadly operated within acceptable corporate governance standards in Nigeria, thereby providing a suitable context for examining the governance performance relationship.

Table 3: Correlation Matrix of Study Variables

Variable	ROA	ROE	BS	BG	BM	AC	BC	FS	LEV
ROA	1.00								
ROE	0.62	1.00							
Board Size (BS)	0.21	0.24	1.00						
Board Gender Diversity (BG)	0.28	0.31	0.34	1.00					
Board Meetings (BM)	0.19	0.22	0.29	0.26	1.00				
Audit Committee (AC)	0.25	0.27	0.41	0.32	0.35	1.00			
Board Composition (BC)	0.33	0.36	0.38	0.29	0.31	0.44	1.00		
Firm Size (FS)	0.41	0.39	0.46	0.21	0.27	0.34	0.37	1.00	
Leverage (LEV)	-0.29	-0.34	-0.12	-0.08	-0.15	-0.11	-0.18	-0.22	1.00

Source: Authors’ computation

Table 3 shows a positive correlation between the performance measures, with return on assets and return on equity exhibiting a correlation coefficient of 0.62, indicating a strong and expected

association between accounting-based profitability indicators. Corporate governance variables generally displayed positive relationships with firm performance. Board size was positively correlated with ROA (0.21) and ROE (0.24), suggesting that moderately larger boards may enhance monitoring effectiveness. Similarly, board gender diversity showed positive correlations with ROA (0.28) and ROE (0.31), implying that greater female representation on boards may be associated with improved firm performance. Board meetings and audit committee size also exhibited positive associations with performance measures, reflecting the role of active board engagement and audit oversight in enhancing firm outcomes.

Furthermore, board composition demonstrated the strongest positive correlation with ROA (0.33) and ROE (0.36), highlighting the importance of non-executive director dominance in strengthening oversight functions. Firm size showed a moderate positive correlation with performance, indicating that larger FMCG firms may benefit from economies of scale and stronger market presence. In contrast, leverage was negatively correlated with both ROA (-0.29) and ROE (-0.34), suggesting that higher debt levels may constrain profitability in the sector. Importantly, none of the correlation coefficients among the independent variables exceeded the commonly accepted threshold of 0.80, indicating the absence of severe multicollinearity. This result supports the suitability of the variables for subsequent panel regression analysis.

Table 4: Panel Regression Results for ROA and ROE Models

Variable	ROA (FE)	ROA (RE)	ROE (FE)	ROE (RE)
BS	0.004 (0.002) [0.041] **	0.003 (0.002) [0.072] *	0.011 (0.005) [0.028] **	0.009 (0.005) [0.067] *
BG	0.063 (0.028) [0.024] **	0.057 (0.027) [0.036] **	0.141 (0.061) [0.021] **	0.128 (0.058) [0.029] **
BM	0.006 (0.003) [0.049] **	0.005 (0.003) [0.083] *	0.014 (0.007) [0.041] **	0.012 (0.007) [0.078] *
AC	0.012 (0.006) [0.051] *	0.010 (0.006) [0.086] *	0.029 (0.014) [0.036] **	0.025 (0.014) [0.071] *
BC	0.072 (0.031) [0.020] **	0.064 (0.030) [0.033] **	0.158 (0.069) [0.022] **	0.141 (0.067) [0.037] **
FS	0.018 (0.007) [0.010] ***	0.016 (0.007) [0.019] **	0.031 (0.016) [0.049] **	0.028 (0.015) [0.061] *
LEV	-0.052 (0.018) [0.004] ***	-0.047 (0.018) [0.009] ***	-0.121 (0.041) [0.003] ***	-0.109 (0.040) [0.007] ***
C	-0.112 (0.061) [0.067] *	-0.094 (0.058) [0.108]	-0.281 (0.141) [0.048] **	-0.244 (0.133) [0.067] *

R-squared	0.482	0.447	0.463	0.431
Adjusted R-squared	0.414	0.403	0.392	0.387
F-statistic / Wald χ^2	7.118 [0.000] ***	52.406 [0.000] ***	6.742 [0.000] ***	49.337 [0.000] ***
Durbin–Watson	1.962	1.945	2.041	2.018
Observations	100	100	100	100
Hausman Test	$\chi^2 = 16.274$ [0.012] **	—	$\chi^2 = 4.218$ [0.756]	—

() Standard errors, [] p-values. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$.

The panel regression results in Table 4 showed that corporate governance mechanisms significantly predicted the performance of Nigerian FMCG firms, and the model choice was guided by the Hausman test. Specifically, the Hausman statistic supported the Fixed Effects estimator for the ROA model ($\chi^2 = 16.274$, $p = .012$) but supported the Random Effects estimator for the ROE model ($\chi^2 = 4.218$, $p = .756$).

This pattern implied that unobserved firm-specific attributes were more influential for asset-based profitability than for equity returns. In terms of governance effects, board size was positively associated with performance (ROA: $\beta = .004$, $p = .041$; ROE: $\beta = .011$, $p = .028$), and this finding supported an agency-theoretic position that monitoring capacity increased when boards were sufficiently constituted to provide oversight. Empirically, the positive direction aligned with evidence that governance mechanisms enhanced efficiency and performance in Nigeria and comparable manufacturing contexts (Lawal et al., 2022; Mensah & Bein, 2023), and with evidence that governance quality improved value-relevant outcomes (Shittu & Che-Ahmad, 2023). Nonetheless, the result should be interpreted in light of contrasting evidence that overly control-oriented governance structures may reduce strategic flexibility or generate coordination costs, thereby weakening longer-term outcomes (Singh, 2025; Lu et al., 2022).

Board activity and oversight structures also displayed performance-enhancing effects. Board meetings were positive and statistically significant (ROA: $\beta = .006$, $p = .049$; ROE: $\beta = .014$, $p = .041$), indicating that more frequent meetings strengthened monitoring and strategic review, which is consistent with Agency Theory’s emphasis on reducing managerial discretion through active oversight. This evidence was consistent with prior findings that stronger governance systems improved operational and market outcomes in emerging economies (Mensah & Bein, 2023; Omenihu & Nwafor, 2025). Audit committee size was similarly positive (ROA: $\beta = .012$, $p = .051$; ROE: $\beta = .029$, $p = .036$), suggesting that expanded audit oversight improved control and reporting discipline, thereby supporting agency-based monitoring arguments. Related evidence from the literature indicated that stronger governance quality constrained opportunistic reporting behavior and protected firm outcomes (Boachie & Mensah, 2022) and that governance weaknesses heightened exposure to compliance and reputational risks that could erode firm value (Olayiwola et al., 2025). However, contrasting evidence suggested that governance mechanisms did not uniformly translate into superior outcomes when they imposed additional compliance burdens or were adopted without complementary relational and strategic elements (Khan et al., 2022; Umar

et al., 2024). In the same vein, board composition (non-executive dominance) had a strong positive association with performance (ROA: $\beta = .072$, $p = .020$; ROE: $\beta = .158$, $p = .022$), which

aligned with agency arguments on independence and monitoring as well as empirical findings that board structure improved performance conditional on institutional context (Omenihu & Nwafor, 2025), although the broader literature continued to report cross-setting variability in the magnitude and stability of such effects (Lu et al., 2022).

Board gender diversity was positive and significant (ROA: $\beta = .063$, $p = .024$; ROE: $\beta = .141$, $p = .021$), indicating that firms with higher female representation on boards recorded better performance. This result was consistent with Stakeholder Theory, which predicts that more inclusive governance structures improve responsiveness to stakeholder expectations and strengthen legitimacy, particularly in consumer-facing sectors. The finding aligned with Nigerian evidence linking women's board participation to improved firm outcomes (Ehikioya et al., 2025) and with broader emerging-market evidence that stakeholder-oriented governance channels often operationalised through CSR strengthened the governance performance relationship (Xu et al., 2022; Akhter & Hassan, 2024). At the same time, the literature also documented that governance-performance relationships could be context-specific and sometimes mixed across settings, implying that diversity effects may depend on institutional enforcement and board processes (Lu et al., 2022). Regarding controls, firm size was positive (ROA: $\beta = .018$, $p = .010$; ROE: $\beta = .028$, $p = .061$), suggesting scale advantages and stronger resource capacity in FMCG operations, a pattern consistent with evidence from African manufacturing contexts where governance and firm characteristics jointly explained performance differences (Mensah & Bein, 2023).

Leverage was negative and significant (ROA: $\beta = -.052$, $p = .004$; ROE: $\beta = -.109$, $p = .007$), implying that heavier debt exposure constrained profitability an outcome that reinforced the risk-management implications of governance emphasized in studies linking governance quality to reduced vulnerability and stronger organisational outcomes (Olayiwola et al., 2025; Umar et al., 2024). Practically, the pattern of coefficients implied that Nigerian FMCG firms benefited most when agency-based monitoring mechanisms (board structure, audit oversight, and active meetings) were complemented by stakeholder-oriented board attributes (gender diversity), supporting the combined theoretical framing adopted in this study.

CONCLUSION AND RECOMMENDATIONS

Conclusion

This study examined whether corporate governance mechanisms improve the performance of Nigerian Fast-Moving Consumer Goods (FMCG) firms using panel data drawn from listed firms over the period 2015–2024. Anchored on Agency Theory and Stakeholder Theory, the study analysed the effects of board size, board gender diversity, board meetings, audit committee size, and board composition on firm performance, proxied by return on assets and return on equity. The empirical results provided consistent evidence that corporate governance mechanisms exert a significant influence on firm performance in the Nigerian FMCG sector. The findings revealed that monitoring-oriented governance mechanisms such as board size, board meetings, audit

committee size, and board composition positively influenced firm performance, thereby supporting the predictions of Agency Theory that effective oversight reduces agency costs and enhances managerial accountability. In addition, board gender diversity demonstrated a positive and significant relationship with firm performance, lending support to Stakeholder Theory and highlighting the performance relevance of inclusive and stakeholder-sensitive governance structures. Conversely, leverage exhibited a negative effect on performance, suggesting that excessive reliance on debt constrains profitability in the sector. Thus, the results indicate that Nigerian FMCG firms perform better when agency-based control mechanisms are complemented by stakeholder-oriented board attributes, consistent with the provisions of the Nigerian Code of Corporate Governance.

Recommendations

Based on the findings, several policy and managerial recommendations are advanced. First, boards of Nigerian FMCG firms should maintain an optimal board size and ensure regular board meetings to strengthen monitoring effectiveness and strategic oversight. This would enhance accountability and reduce managerial opportunism, in line with the expectations of the Nigerian Code of Corporate Governance. Second, firms should strengthen audit committee structures by ensuring adequate size, independence, and competence, as effective audit oversight contributes to improved financial discipline and firm performance.

Third, policymakers and regulators should further encourage board diversity, particularly gender diversity, by strengthening disclosure requirements and promoting inclusive board appointment practices. Enhanced female representation on boards may improve decision-making quality and stakeholder engagement, especially in consumer-oriented industries such as FMCG. Fourth, firms should exercise caution in the use of debt financing, as excessive leverage may undermine profitability and increase financial risk. Boards should therefore adopt prudent capital structure policies consistent with long-term sustainability.

Lastly, future research may extend this study by incorporating additional governance variables such as ownership structure, executive compensation, or ESG practices, and by applying alternative performance measures or dynamic estimation techniques. Such extensions would further enrich understanding of the governance–performance nexus in Nigeria and other emerging market contexts.

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