

Corporate Governance and Financial Performance of Food and Beverage Companies in Nigeria

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Abstract

This study examines the relationship between corporate governance and the financial performance of listed food and beverage companies in Nigeria. An ex post facto research design was adopted, using secondary data extracted from the annual reports of 10 listed companies over the period 2016–2025. Data were analysed using descriptive statistics and panel regression techniques, including pooled ordinary least squares, fixed effects and random effects. Financial performance was measured using return on assets (ROA) and return on equity (ROE), while corporate governance was represented by board size, board independence, board meetings, board diversity, audit committee meetings, audit type and audit report lag. The reported results indicate that board size has a significant positive relationship with financial performance, whereas board independence exhibits a significant negative relationship. Board meetings, board diversity, audit committee meetings, audit type and audit report lag generally show statistically insignificant relationships with performance. Leverage is positively and significantly associated with ROE in the reported model. The study highlights the importance of effective board composition and oversight in promoting financial performance among listed food and beverage companies in Nigeria.

Keywords: *Corporate governance, financial performance, board characteristics, audit quality, food and beverage companies, Nigeria.*

Background to the Study

The sustained financial performance of firms is essential to their survival, growth, ability to attract investment and capacity to create value for shareholders and other stakeholders. Financial performance reflects how effectively a firm deploys its resources to generate

earnings and deliver returns. It can be assessed using accounting-based measures, such as return on assets (ROA) and return on equity (ROE), or market-based measures, including Tobin's Q and the market-to-book ratio. ROA assesses the efficiency with which a firm uses its assets to generate earnings, whereas ROE measures the returns generated on shareholders' equity. These indicators capture related but distinct dimensions of corporate performance and may respond differently to managerial decisions and governance arrangements. Consequently, understanding the factors associated with financial performance is important for assessing corporate efficiency, accountability and the effectiveness of management. Corporate governance provides the structures and processes through which firms are directed, monitored and held accountable. It is particularly important where ownership and managerial control are separated, creating potential conflicts of interest between shareholders and managers. Agency Theory explains that these conflicts can generate agency costs when managers pursue interests that do not fully align with those of shareholders (Jensen & Meckling, 1976). Fama and Jensen (1983) further explained the significance of separating decision management from decision control in organisations. From this perspective, effective governance mechanisms can strengthen oversight, constrain managerial opportunism and improve accountability. Resource Dependence Theory complements this argument by emphasising the contribution of directors' expertise, experience and external relationships to organisational decision-making and access to resources (Pfeffer & Salancik, 1978). These perspectives suggest that governance may be associated with financial performance through monitoring, strategic advice and resource mobilisation, although the existence of governance structures does not necessarily guarantee improved corporate outcomes.

Corporate governance encompasses several mechanisms, including board size, board independence, board meeting frequency, board gender diversity, external auditor affiliation, audit committee oversight and the timeliness of audited financial reporting. These mechanisms perform different but potentially complementary functions. Board composition may influence the expertise and independence available for strategic oversight, while board and audit committee meetings provide opportunities to review management decisions and financial risks. External auditing supports the credibility of financial reporting, and audit report lag indicates how promptly audited financial information becomes available. DeAngelo (1981) explains why audit firm size may be associated with audit quality through the incentives and reputational considerations facing larger audit practices. Nevertheless, auditor affiliation is not a guarantee of audit quality, just as board size and meeting frequency do not independently establish the effectiveness of governance. The relationship between these attributes and financial performance therefore requires empirical assessment.

In Nigeria, corporate governance has been reinforced through regulatory frameworks intended to improve accountability, transparency and responsible corporate conduct. The Financial Reporting Council of Nigeria issued the Nigerian Code of Corporate Governance (NCCG) in 2018, while the Securities and Exchange Commission

subsequently issued additional Corporate Governance Guidelines for public companies. The SEC confirms that public companies are required to comply with the NCCG and the applicable SEC guidelines, which address matters including board structure, independent directors, audit committees, internal audit, business conduct and disclosure (Securities and Exchange Commission Nigeria [SEC], 2020). These provisions establish an important regulatory foundation for corporate oversight. However, regulatory requirements alone do not demonstrate that individual governance mechanisms are consistently effective or that they are associated with improved financial performance. The relevant empirical question is whether, and to what extent, differences in firms' governance attributes correspond with differences in their financial outcomes.

The food and beverage sector offers a specific context in which to investigate this relationship. Firms in the sector coordinate procurement, production, inventory, distribution and marketing activities, all of which require effective resource allocation and managerial oversight. Board decisions and monitoring practices may influence investment, operating efficiency and working-capital management, while audit arrangements and reporting timeliness may affect the reliability and availability of financial information. These mechanisms provide plausible channels through which governance attributes may be associated with profitability. However, their effects need not be uniform: larger boards may offer wider expertise but incur greater coordination costs, while frequent meetings may reflect either active oversight or a response to emerging corporate difficulties. Ahrens et al. (2026), in a meta-analysis of 346 studies across 110 countries, found that the relationship between board size and firm performance depends on contextual factors and the performance measure used. This evidence cautions against assuming that a particular governance structure will produce the same outcome across firms and settings. Importantly, empirical research has already examined some governance–performance relationships among listed Nigerian food and beverage firms, but the reported findings are not uniform. Mustapha et al. (2024) studied 14 firms over 2013–2022 using ROA as the performance measure. They reported a negative relationship between board size and performance, while board independence and gender diversity were statistically insignificant. By contrast, Korolo (2025), examining 12 listed firms over 2012–2023 using ROE, reported an insignificant relationship between board size and performance but positive and statistically significant relationships for board independence and gender diversity. These studies provide directly relevant sector-specific evidence, but their results differ across the performance measures and empirical settings examined. Furthermore, their stated scope focuses on board characteristics rather than the broader set of governance attributes considered in the present study. The available evidence therefore supports further investigation without implying that previous sector-specific research is absent. The unresolved issue is whether a broader set of governance mechanisms is jointly associated with financial performance among listed food and beverage firms in Nigeria. In particular, board size, board independence, board meeting frequency, board gender diversity, Big Four auditor status,

audit committee meeting frequency and audit report lag represent distinct attributes that may influence monitoring, decision-making and financial reporting. Their joint examination may provide a more comprehensive assessment than focusing exclusively on-board composition. Measuring financial performance separately through ROA and ROE is also important because asset profitability and returns on shareholders' equity capture different dimensions of corporate outcomes. In addition, the possibility that financial difficulties influence governance activity or audit completion means that observed relationships should be interpreted cautiously rather than automatically treated as causal. Against this background, this study examines the relationship between corporate governance and the financial performance of listed food and beverage firms in Nigeria. Corporate governance is represented by seven attributes: board size, board independence, board meeting frequency, board gender diversity, Big Four auditor status, audit committee meeting frequency and audit report lag. Financial performance is measured separately using ROA and ROE. By examining the seven attributes jointly, the study seeks to determine whether they are collectively associated with financial performance and whether the relationships differ across the two accounting-based measures.

Literature Review and Hypotheses Development

Corporate governance provides mechanisms for aligning managerial decisions with shareholders' interests, strengthening accountability and improving the use of corporate resources. Agency Theory explains that the separation of ownership and control creates information asymmetry and potential conflicts of interest, making effective board oversight necessary to constrain managerial opportunism and agency costs (Jensen & Meckling, 1976; Fama & Jensen, 1983). Resource Dependence Theory complements this perspective by suggesting that directors provide expertise, experience and external networks that may improve strategic decision-making and access to resources (Pfeffer & Salancik, 1978). These perspectives imply that governance mechanisms may influence financial performance through monitoring, advice, resource mobilisation and reporting credibility. However, their effectiveness depends on how governance arrangements operate in practice and the organisational context in which they are applied.

Financial performance is examined using return on assets (ROA) and return on equity (ROE). ROA indicates how efficiently a firm uses its assets to generate earnings, whereas ROE measures the returns generated on shareholders' equity. The measures are related but not interchangeable; governance arrangements may affect operational efficiency and shareholder returns differently. Accordingly, the relationship between governance and performance should be assessed separately for ROA and ROE rather than assuming that evidence based on one measure necessarily applies to the other.

Board size represents the number of directors serving on a board and may influence performance through the balance between resource availability and coordination costs. Larger boards may provide wider expertise and networks, but they may also experience

slower decision-making, coordination difficulties and diluted accountability. Nigerian evidence reflects these competing possibilities. Oshim and Igwe (2024) reported a weak relationship between board size and ROA among listed consumer goods firms, while Gambo et al. (2018) and Ahmad and Ngulde (2024) reported negative associations. In contrast, Onmonya et al. (2024) found a positive and statistically significant relationship between board size and ROA among listed oil and gas firms, although its relationship with ROE was insignificant. Evidence from a broader meta-analysis of 346 studies covering 110 countries and 145,344 firms similarly indicates that the board-size–performance relationship varies with context and measurement, with more negative associations for market-based than accounting-based performance measures (Ahrens et al., 2026). These inconsistencies suggest that board size alone does not guarantee superior performance. Its relevance to listed food and beverage firms therefore requires sector-specific examination. Board independence is intended to strengthen objective oversight by enabling non-executive directors to scrutinise management decisions and challenge inefficient resource allocation. Nevertheless, formal independence may not translate into effective monitoring where directors lack relevant expertise, timely information or sufficient capacity to exercise independent judgement. Empirical findings in Nigeria are mixed: Onmonya et al. (2024) reported negative associations between board independence and both ROA and ROE among listed oil and gas firms; Ahmad and Ngulde (2024) found a positive association with ROA among listed consumer goods firms; and Oshim and Igwe (2024) reported a weak relationship between board independence and ROA. These differences suggest that the contribution of independent directors may depend on their substantive monitoring capacity and the conditions under which they operate. In food and beverage firms, independent oversight may be relevant to procurement, inventory management, operating expenditure and financial reporting, but its association with performance cannot be presumed to be positive.

Board meeting frequency reflects how regularly directors convene to review performance, assess risks and monitor management. More frequent meetings may facilitate timely responses to operational and financial challenges. However, meeting frequency is an imperfect indicator of board effectiveness because frequent meetings may reflect either active monitoring or a response to deteriorating performance. Vafeas (1999), examining 307 firms, found an inverse relationship between meeting frequency and firm value, largely because boards met more frequently following share-price declines; operating performance improved after years of unusually high board activity. This finding highlights the possibility of reverse causality. Nigerian evidence is also inconclusive: Oshim and Igwe (2024) reported a weak negative correlation between board meetings and ROA among listed consumer goods firms, while Gambo et al. (2018) found an insignificant negative association. Atanda et al. (2023), using system generalised method of moments to analyse listed Nigerian financial-sector firms, found that board diligence was not statistically significant in explaining reporting timeliness. Although reporting timeliness differs from profitability, the result reinforces the need to distinguish the

frequency of board activity from its substantive effectiveness.

Board gender diversity may broaden the perspectives, experience and information considered in corporate decisions. From a resource dependence perspective, diverse boards may provide varied human and social capital, while agency theory suggests that diversity may strengthen scrutiny and challenge established managerial practices. Nevertheless, improved monitoring does not automatically produce higher financial returns. Adams and Ferreira (2009), studying US firms, found that female directors were associated with stronger monitoring inputs, but the average effect of gender diversity on firm performance was negative. Nigerian findings are more favourable in some settings but remain inconsistent. Chijoke-Mgbame et al. (2020), examining 77 Nigerian firms, reported a positive and significant relationship between female board representation and performance, with stronger results where boards included at least two women. Ehikioya (2025) also reported a positive relationship between women's board participation and performance among Nigerian listed firms over 2013–2022, incorporating robustness and endogeneity checks. Conversely, Dada et al. (2025), studying 20 listed Nigerian firms over 2015–2022, found that female representation was positively but insignificantly associated with ROA and negatively but insignificantly associated with ROE. These findings indicate that the performance implications of gender diversity may depend on representation, board dynamics and the outcome measure employed.

External audit arrangements may also be associated with financial performance through reporting credibility and monitoring. DeAngelo (1981) conceptualised audit quality in terms of an auditor's competence to detect material misstatements and independence in reporting detected misstatements. In this study, Big Four auditor status identifies firms audited by Deloitte, PricewaterhouseCoopers (PwC), Ernst & Young (EY) or KPMG. Such affiliation may reflect access to audit resources, established methodologies and reputational incentives that support confidence in financial reporting. However, Big Four status is a proxy for auditor affiliation, not a direct measure or guarantee of audit quality. The observed relationship may also reflect selection effects, because larger or more complex firms may be more likely to engage these audit practices. Consequently, the association between Big Four auditor status and financial performance remains an empirical question. Audit committee meeting frequency captures one aspect of the committee's activity in overseeing financial reporting, internal controls, external auditing and compliance. Effective oversight may reduce information asymmetry and strengthen the reliability of financial information, potentially supporting financial discipline. However, frequent meetings may indicate either diligent supervision or the existence of reporting problems, control weaknesses and complex transactions. Committee independence, expertise, attendance and the substance of deliberations may therefore matter alongside meeting frequency. Onmonya and Ebire (2023) examined audit committee characteristics and corporate performance among listed Nigerian conglomerates, providing evidence relevant to audit committee oversight. Chijoke-Mgbame et al. (2020) reported a positive association between female representation on

audit committees and financial performance; however, that finding concerns committee composition rather than meeting frequency and should not be interpreted as direct evidence of a performance benefit from more frequent meetings. The relationship between audit committee meeting frequency and ROA or ROE consequently requires direct testing. Audit report lag, measured as the number of calendar days between a firm's financial year-end and the independent auditor's report date, indicates the timeliness of audited financial reporting. Longer delays may reflect audit complexity, internal control weaknesses, inefficient reporting systems or unresolved accounting issues. Atanda et al. (2023) found that board size was associated with more timely reporting among listed Nigerian financial-sector firms, whereas board independence and financial expertise were associated with reporting delays; board diligence was statistically insignificant. These findings suggest that formal governance attributes can have different implications for reporting processes. Nevertheless, audit report lag is not a direct measure of profitability. Financial distress, operational complexity and accounting difficulties may both extend audit completion and coincide with weaker financial performance. The relationship may therefore be bidirectional, requiring cautious interpretation and attention to potential reverse causality. Overall, the reviewed evidence does not establish a uniform relationship between corporate governance and financial performance. Findings vary across governance mechanisms, studies, industries and performance measures. Much of the cited Nigerian evidence concerns consumer goods, oil and gas, conglomerates or financial-sector firms; its applicability to listed food and beverage companies cannot be assumed. The present study addresses this sector-specific question by examining seven governance-related attributes within a common empirical framework: board size, board independence, board meeting frequency, board gender diversity, Big Four auditor status, audit committee meeting frequency and audit report lag. Analysing ROA and ROE separately permits assessment of whether the relationships differ between asset profitability and returns to shareholders. Firm-specific heterogeneity, year effects, relevant control variables and potential reverse causality should be considered to reduce the risk of attributing performance differences solely to governance arrangements. Unless the empirical design establishes a credible basis for causal inference, the findings should be interpreted as associations.

H0: Corporate governance does not significantly affect the financial performance of food and beverage companies in Nigeria.

Methodology

This study adopts an ex post facto research design and a quantitative research approach. The ex post facto design is appropriate because the study examines existing corporate governance and financial data without manipulating the variables under investigation. The data are obtained from the published annual reports and financial statements of listed food and beverage companies. The population comprises all food and beverage companies listed on the Nigerian Exchange Group (NGX). A sample of ten (10)

companies was selected using a purposive sampling technique based on the consistent availability and accessibility of annual reports for the period 2016–2025. The ten-year period provides firm-year observations for examining variations in corporate governance attributes and financial performance over time.

Data were analysed using descriptive and inferential statistical techniques. Descriptive statistics were employed to summarise the characteristics and distribution of the study variables, while regression analysis was used to examine the relationship between corporate governance and financial performance. Given the firm-level observations across multiple years, panel data analysis was conducted using Stata 17. Static panel estimation techniques were employed to assess the relationships between the explanatory variables and financial performance.

Measurement of variables

Dependent variable: The dependent variable is financial performance (FP), measured primarily by return on assets (ROA), while return on equity (ROE) is employed as an alternative proxy for robustness testing.

Independent variable: The independent variables represent corporate governance mechanisms, and these include board size, board meetings, board independence, board diversity, audit committee effectiveness, audit type and audit report lag.

Table 1. Measurement of Variables

Classification	Variable	Denotation	Operational measurement	Sources
Dependent	Return on Assets	ROA	Profit after tax / average total assets × 100	Onmonya et al. (2024); AlHares (2025)
	Return on Equity	ROE	Profit after tax / average shareholders' equity × 100	AlHares (2025)
Independent	Board Size	BSZ	Total number of directors serving on the board at financial year-end	Onmonya et al. (2024); Eluyela et al. (2018)
	Board Independence	BIND	Independent non-executive directors ÷ total board members × 100	Onmonya et al. (2024); Atanda et al. (2023)
	Board Meetings	BMET	Total number of board meetings held during the financial year	Vafeas (1999); Eluyela et al. (2018)
	Board Gender Diversity	BGD	Female directors ÷ total board members × 100	Chijoke-Mgbame et al. (2020)

	Big Four Auditor	BIG4	1 if the external auditor is Deloitte, PwC, EY or KPMG; 0 otherwise	DeAngelo (1981)
	Audit Committee Meetings	ACM	Total number of audit committee meetings held during the financial year	Onmonya and Ebire (2023)
	Audit Report Lag	ARL	Calendar days between the financial year-end and the date of the independent auditor's report	Ashton et al. (1989); Atanda et al. (2023)
Control	Leverage	LEV	Total debt divided by total assets x 100%	AlHares (2025); verify the exact proxy in the full article

Source: Authors' Compilation (2026)

Model specification

To examine the relationship between corporate governance and the financial performance of listed food and beverage firms in Nigeria, the study specifies two panel regression models. ROA is used as the primary measure of financial performance, and ROE is used for robustness testing.

$$ROA_{it} = \beta_0 + \beta_1 BSIZE_{it} + \beta_2 BIND_{it} + \beta_3 BMET_{it} + \beta_4 BGD_{it} + \beta_5 BIG4_{it} + \beta_6 ACMET_{it} + \beta_7 ARL_{it} + \beta_8 LEV_{it} + \mu_i + \lambda_t + \varepsilon_{it}$$

$$ROE_{it} = \beta_0 + \beta_1 BSIZE_{it} + \beta_2 BIND_{it} + \beta_3 BMET_{it} + \beta_4 BGD_{it} + \beta_5 BIG4_{it} + \beta_6 ACMET_{it} + \beta_7 ARL_{it} + \beta_8 LEV_{it} + \mu_i + \lambda_t + \varepsilon_{it}$$

Where:

ROA= Return on Assets

ROE= Return on Equity

ACMET= Audit Committee Meetings

BSZ= Board Size

BIND= Board Independence

BDV= Board Diversity

BMET= Board Meetings

ARL= Audit Report Lag

BIG4= Audit Type

LEV= Leverage

β_0 = Constant term (intercept)

$\beta_1 - \beta_8$ = Regression coefficients

μ_{it} = Error term for firm *i* in year *t*

i= Individual firm

t= Year of observation

Result and Findings

Descriptive Analysis Results

Table 2 presents the descriptive statistics for the study variables, comprising financial performance, measured by return on assets (ROA) and return on equity (ROE), and corporate governance characteristics, including audit report lag (ARL), audit committee meetings (ACM), audit type (AUD), board size (BSZ), board meetings (BMET), board independence (BIND), and board diversity (BDV), alongside leverage (LEV) as a control variable. The statistics are based on 100 firm-year observations, except ROA, which has 99 valid observations due to one missing value.

The results indicate considerable variation in financial performance. ROA has a mean of 6.88 and a standard deviation of 9.24, with values ranging from −18.33 to 30.68. ROE has a mean of 47.82 and a standard deviation of 256.50, ranging from −507.50 to 2,333.78. The comparatively high dispersion of ROE suggests substantial variability in shareholders' returns and warrants further examination of extreme observations. Regarding corporate governance, the average board size is 10.47 directors, while board meetings average 5.63 annually. Board independence has a mean of 7.22, and board diversity averages 2.71, with values ranging from 0 to 7. Audit committee meetings average 4.00 annually, while audit type has a mean of 0.92. Assuming binary coding, this indicates that 92% of observations are assigned a value of 1; the specific interpretation depends on the coding adopted. Audit report lag averages 96.13 days, with a standard deviation of 57.41 days and a range of 26 to 268 days, indicating substantial variation in the time taken to issue auditors' reports. Leverage has a mean of 2.29 and a standard deviation of 12.50. However, its maximum value of 113.38 is unusually high and should be verified before further analysis.

Overall, the descriptive statistics revealed considerable heterogeneity in financial performance and corporate governance characteristics among the sampled firms. These findings provide an overview of the dataset but do not establish relationships between the explanatory variables and financial performance. Further diagnostic tests and regression analyses are therefore necessary to evaluate the study's hypotheses.

Table 2: Descriptive Analysis Results

Variable	Obs.	Mean	Std. dev.	Min.	Max.
ROA	99	6.8785	9.2378	−18.33	30.68
ROE	100	47.8222	256.4981	−507.50	2,333.78
ARL	100	96.13	57.4146	26	268
ACM	100	4	0.6356	1	7
AUD	100	0.92	0.2727	0	1
BSZ	100	10.47	2.4841	6	17
BMET	100	5.63	1.5086	4	10
BIND	100	7.22	2.7398	2	14

BDV	100	2.71	1.305	0	7
LEV	100	2.2931	12.5049	0.01	113.38

Source: Authors Computation 2026

4.2 Preliminary Test Results

This section examines the statistical properties of the panel dataset before estimating the regression models. The preliminary analysis assesses the distribution of the variables and helps identify potential data problems that may affect estimation and statistical inference.

4.2.1 Normality Test Result

Table 3 presents the results of the skewness–kurtosis normality test. At the 5% significance level, the null hypothesis of normality is not rejected for return on assets (ROA), with a joint-test probability value of 0.2074. However, normality is rejected for return on equity (ROE), audit report lag (ARL), audit committee meetings (ACM), audit type (AUD), board size (BSZ), board meetings (BMET), and board independence (BIND), as their joint-test probability values are below 0.05. Specifically, BSZ, BMET, and BIND have probability values of 0.0293, 0.0263, and 0.0170, respectively, while ROE, ARL, ACM, and AUD have reported probability values of 0.0000.

These results suggest that ROA does not exhibit statistically significant evidence of non-normality, whereas the remaining variables show statistically significant departures from normality. Nevertheless, non-normality of the individual variables does not, in itself, invalidate pooled ordinary least squares (OLS) regression or necessitate fixed-effects or random-effects estimation. The appropriate panel estimator should be determined using relevant specification tests, while regression residuals and other diagnostic requirements should be assessed to support reliable statistical inference.

Table 3: Normality Test

Variable	Obs	Pr(skewness)	Pr(kurtosis)	Adj chi ² (2)	Prob>chi ²
ROA	100	0.7338	0.0860	3.15	0.2074
ROE	100	0.0000	0.0000	0.0000	0.0000
ARL	100	0.0000	0.0225	23.54	0.0000
ACM	100	0.3081	0.0000	22.73	0.0000
AUD	100	0.0000	0.0000	59.30	0.0000
BSZ	100	0.0106	0.2800	7.06	0.0293
BMET	100	0.0052	0.6744	7.28	0.0263
BIND	100	0.0120	0.0926	8.15	0.0170

Source: Authors Computation 2026

4.3 Multicollinearity Test Results

Multicollinearity occurs when explanatory variables in a regression model exhibit strong

linear relationship. Table 4 presents the Pearson correlation matrix for the eight explanatory variables, excluding ROA and ROE because they serve as dependent variables in separate regression models. The calculations use the 100 observations supplied, with audit report lag (ARL). The results indicate that the strongest pairwise correlation among the explanatory variables is between board size (BSZ) and board independence (BIND), with a coefficient of 0.6674. Other notable relationships include board diversity (BDV) and board meetings (BMET), at 0.3685, and audit type (AUD) and board diversity (BDV), at 0.3006. The correlation between audit report lag and audit type is -0.3387 . Since none of the absolute pairwise correlation coefficients exceeds 0.70, the matrix provides no clear indication of severe pairwise multicollinearity under this commonly used screening threshold. Nevertheless, pairwise correlations alone cannot conclusively establish that multicollinearity is absent. Variance inflation factors (VIFs) should therefore be calculated using the explanatory variables included in each regression model.

Table 4: Multicollinearity Test

Variable	ARL	ACM	AUD	BSZ	BMET	BIND	BDV	LEV
ARL	1.0000							
ACM	-0.0194	1.0000						
AUD	-0.3387	0.0000	1.0000					
BSZ	0.2562	0.2111	-0.0931	1.0000				
BMET	-0.1840	-0.0211	0.2711	0.0011	1.0000			
BIND	0.1246	-0.0058	-0.0979	0.6674	0.1274	1.0000		
BDV	-0.0408	0.2189	0.3006	0.2119	0.3685	-0.0209	1.0000	
LEV	0.0141	0.0013	0.0393	0.0839	0.1206	0.0732	0.2082	1.0000

Source: Authors Computation 2026

Variance Inflation Factors (VIFs)

The estimated VIFs range from 1.056 to 2.360, with a mean VIF of 1.503. Board size has the highest VIF (2.360), followed by board independence (2.123), while leverage has the lowest (1.056). All estimated VIFs are below the commonly used threshold of 5, and all tolerance values exceed 0.10. These results suggest that multicollinearity is unlikely to be a serious concern among the eight explanatory variables.

Table 5: Variance Inflation Factors (VIFs)

Explanatory variable	VIF	Tolerance (1/VIF)
Audit Report Lag (ARL)	1.232	0.811
Audit Committee Meetings (ACM)	1.132	0.884
Audit Type (AUD)	1.281	0.781

Board Size (BSZ)	2.36	0.424
Board Meetings (BMET)	1.323	0.756
Board Independence (BIND)	2.123	0.471
Board Diversity (BDV)	1.521	0.658
Leverage (LEV)	1.056	0.947
Mean VIF	1.503	—

Source: Authors Computation 2026

Effect of Corporate Governance on Financial Performance (ROA)

The result of the Hausman test below indicates that the random effect is preferred. The random effect results showed that board size has a significant positive relationship with Return on Assets at the 5% significance level, board meetings have a positive but insignificant relationship with ROA, and ROA board independence has a significant negative relationship with return on assets at the 1% significance level, and board diversity also has an insignificant negative relationship with ROA. This result suggests that a larger board enhances decision-making, facilitates better management of the business, and this translates into higher returns, has the capability of improving return on assets and results in value addition for the companies. Also, result shows a significant negative relationship between board independence and return on assets is an indication that the numbers of non-executive directors meant to ensure better monitoring and transparency impacted the financial performance negatively by reducing it, this could be a result of increased expenses on the larger board that do not translate into increased value for the firms. Furthermore, result shows a positive but insignificant relationship between board meeting and ROA, while board diversity reported a significant negative effect on ROA. This shows that these do not have any value on the firm, it neither decrease nor increase the return on assets.

Table 6: Effect of Corporate Governance on Financial Performance (ROA)

VARIABLES	(1) POLS	(2) FE	(3) RE
BSZ	1.144** (0.504)	1.414** (0.702)	1.231** (0.585)
BMET	0.805 (0.641)	0.321 (0.759)	0.536 (0.690)
BIND	-1.955*** (0.451)	-2.563** (1.104)	-2.082*** (0.617)

BDV	-0.432 (0.776)	-0.835 (0.972)	-0.655 (0.860)
LEV	0.0454 (0.0705)	0.0896 (0.0706)	0.0718 (0.0683)
Constant	5.491 (5.006)	10.77 (7.751)	7.567 (5.896)
Observations	100	100	100
R-squared	0.182	0.078	
country effect	NO	YES	YES
year effect	NO	NO	NO
Rmse	8.541	8.171	8.047
F-test	4.196	1.431	
Prob > F	0.00174	0.221	
Number of company		10	10
F-test(u _i =0)		1.967	
Prob > F(u _i =0)		0.0532	
chi-squared			12.11
Prob > chi2			0.0334
Hausman			
Prob > chi2 = 0.9124			

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Source: Authors Computation 2026

Effect of Corporate Governance on Financial Performance (ROE)

The results indicate that board size is positively and significantly associated with return on assets (ROA), beta = 1.231, p<0.05. This finding is consistent with Resource Dependence Theory, which emphasises the capacity of directors to provide expertise, strategic advice and access to critical resources. It also agrees with Adams and Mehran (2012), who documented a positive relationship between board size and performance among large US bank holding companies. However, it contrasts with Mustapha et al.

(2024), who reported a negative relationship between board size and ROA among listed Nigerian food and beverage firms. This divergence suggests that the performance implications of board size may depend on board composition, firm complexity and directors' ability to coordinate effectively. Consequently, firms should prioritise board competence and complementary expertise rather than board expansion alone.

Board independence exhibits a significant negative association with ROA ($\beta = -2.082$, $p < 0.01$). This finding challenges the conventional expectation of Agency Theory that independent directors strengthen managerial monitoring and reduce agency costs (Jensen & Meckling, 1976; Fama & Jensen, 1983). Although independent directors may improve accountability, their presence does not necessarily guarantee effective oversight or immediate improvements in operating profitability. The result should therefore be interpreted as evidence of a negative association in the sampled firms, rather than proof that independent directors reduce performance. Notably, Mustapha et al. (2024) found board independence to be statistically insignificant among listed Nigerian food and beverage firms, highlighting differences in the empirical evidence within the same industry. The practical implication is that firms should assess the competence, participation and actual monitoring contributions of independent directors rather than rely exclusively on their numerical representation.

Board meetings have a positive but statistically insignificant relationship with ROA ($\beta = 0.536$). Although regular meetings can facilitate monitoring and strategic deliberation, meeting frequency alone may not capture the quality of board discussions or the effectiveness of decisions. Thus, the result provides insufficient evidence that more frequent meetings are systematically associated with higher asset profitability. Board diversity also has a negative but statistically insignificant relationship with ROA ($\beta = -0.655$). This finding differs from Sani (2021), who found positive and significant relationships between board gender diversity, foreign directors and financial performance among 70 Nigerian listed firms. The difference may reflect variations in the dimensions of diversity measured, sample composition and estimation methods. Since the present coefficient is statistically insignificant, it does not establish that diversity diminishes performance or lacks governance value. Rather, its contribution may depend on whether diverse expertise and perspectives are meaningfully incorporated into board deliberations. Leverage also has a positive but statistically insignificant coefficient ($\beta = 0.0718$), providing insufficient evidence of a systematic relationship with ROA in the estimated model. The findings provide mixed evidence on the relationship between corporate governance and accounting performance. Board size is positively associated with ROA, whereas board independence is negatively associated with it; the relationships for board meetings, board diversity and leverage are statistically insignificant. The findings extend the debate on governance effectiveness by suggesting that formal board characteristics may not translate uniformly into improved profitability. For practitioners, the priority should be effective oversight, relevant expertise, constructive board engagement and meaningful inclusion of diverse perspectives. Given the observational research design,

these relationships should be interpreted as associations rather than causal effects.

Table 6: Effect of Corporate Governance on Financial Performance (ROE)

VARIABLES	(1) POLS	(2) FE	(3) RE
BSZ	24.45* (13.63)	-1.172 (19.70)	24.45* (13.63)
BMET	3.787 (17.33)	12.26 (21.29)	3.787 (17.33)
BIND	-32.52*** (12.19)	-44.22 (30.96)	-32.52*** (12.19)
BDV	15.94 (21.00)	40.33 (27.26)	15.94 (21.00)
LEV	7.567*** (1.906)	7.765*** (1.982)	7.567*** (1.906)
Constant	-55.09 (135.4)	183.7 (217.4)	-55.09 (135.4)
Observations	100	100	100
R-squared	0.229	0.222	
country effect	NO	YES	YES
year effect	NO	NO	NO
Rmse	231.1	229.2	231.1
F-test	5.591	4.854	
Prob > F	0.000149	0.000593	
Number of company		10	10
F-test(u _i =0)		1.172	
Prob > F(u _i =0)		0.323	
chi-squared			27.96
Prob > chi2			3.71e-05
Prob > chi2 = 0.0610			

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Source: Authors Computation 2026

Effect of Financial Reporting Timeliness on Financial Performance (ROA)

Result of the Hausman test below indicated that random effect is preferred. The random effect results showed that audit committee meetings and financial reporting timeliness have insignificant negative relationships with return on assets, while audit type however has a positive but insignificant relationship with return on asset. This result suggested that

all these variables do not have any effects on the performance of the firms and these activities and expenses on them do not translate into higher returns, neither does it has the capability of improving the return on assets or value addition for the companies.

Table 7: Effect of Financial Reporting Timeliness on Financial Performance (ROA)

VARIABLES	(1) POLS	(2) FE	(3) RE
ACM	0.154 (1.445)	-0.332 (1.607)	-0.130 (1.478)
AUD	6.092* (3.585)	2.917 (6.622)	4.397 (5.007)
ARL	-0.0144 (0.0170)	-0.0280 (0.0308)	-0.0216 (0.0234)
LEV	0.0311 (0.0735)	0.0663 (0.0704)	0.0587 (0.0686)
Constant	1.917 (7.218)	8.011 (10.19)	5.248 (8.756)
Observations	100	100	100
R-squared	0.054	0.022	
country effect	NO	YES	YES
year effect	NO	NO	NO
Rmse	9.140	8.364	8.233
F-test	1.355	0.489	
Prob > F	0.256	0.744	
Number of company		10	10
F-test(u _i =0)		3.047	
Prob > F(u _i =0)		0.00327	
chi-squared			2.807
Prob > chi2			0.591
Hausman			
Prob > chi2 = 0.9682			

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Source: Authors Computation 2026

Effect of Financial Reporting Timeliness on Financial Performance (ROE)

Result of the Hausman test below indicated that random effect is preferred. The random effect results showed that all the variables, audit committee meetings, audit type and financial reporting timeliness have insignificant positive relationships with return on

equity. This result suggested that all these variables do not have any effects on the performance of the firms and these activities and expenses on them do not translate into higher returns, neither does it has the capability of improving the return on assets or value addition for the companies.

Table 9: Effect of Financial Reporting Timeliness on Financial Performance (ROE)

VARIABLES	(1) POLS	(2) FE	(3) RE
ACM	5.558 (37.77)	-30.03 (45.07)	1.323 (38.81)
AUD	70.87 (93.66)	-26.71 (185.7)	52.28 (105.8)
FRT	0.688 (0.445)	-0.693 (0.863)	0.529 (0.500)
LEV	7.750*** (1.922)	8.241*** (1.973)	7.919*** (1.916)
Constant	-123.5 (188.6)	240.2 (285.8)	-74.61 (203.6)
Observations	100	100	100
R-squared	0.168	0.176	
country effect	NO	YES	YES
year effect	NO	NO	NO
Rmse	238.8	234.6	234.8
F-test	4.805	4.582	
Prob > F	0.00142	0.00211	
Number of company		10	10
F-test(u _i =0)		1.383	
Prob > F(u _i =0)		0.209	
chi-squared			18.52
Prob > chi2			0.000975
Hausman			
Prob > chi2 = 0.3829			

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Source: Authors Computation 2026

Summary

The study examined the effect of corporate governance mechanisms on the financial performance of food and beverage companies in Nigeria. The study was motivated by the

recognition that poor governance practices may result in weak management oversight, ineffective decision-making, financial misstatements, fraud, inefficient use of organizational resources and poor financial outcomes. The study adopted a quantitative approach, with data obtained through secondary data by analyzing the annual reports of listed food and beverage companies in Nigeria. Descriptive statistics were used to present the summary statistics, skewness and kurtosis were also used for normality test.

The study focused on several dimensions of corporate governance. This includes board size, as it relates to the availability of diverse skills and expertise, decision-making effectiveness and overall organizational performance. Others are board independence, audit committee effectiveness, audit type, board meetings, financial reporting timeliness, board diversity and audit type. Apart from board size that reported significant positive relationships with ROA and ROE, and board independence that reported significant negative relationships with both ROA and ROE, other proxies are either positively insignificant or negatively insignificant, which infers that they neither reduce nor increase financial performance of food and beverage firms. Conversely, result from the random effects technique shows that board size is a driver of firm financial performance, while board independence is detrimental to their financial performance as well.

Regarding audit committee effectiveness, result shows that the audit committee do not effectively monitors the company's financial reporting process, as effective audit committee supposed to strengthen the internal control system. Similarly, the audit committee is saddled with the responsibility of promoting compliance with accounting standards and regulations.

Conclusion

In accordance with the findings of the study, it is concluded that corporate governance plays an important role in the financial performance of food and beverage companies. The evidence obtained from the result of the study demonstrates that corporate governance mechanisms are perceived as important tools for improving management oversight, accountability, transparency, internal control and organizational performance. The study concludes that board size is an important governance consideration, but the appropriate size of a board is more important than simply increasing the number of directors. Although it may be widely believed that board size influences financial performance and that larger boards can provide diverse expertise, the statistical result did not provide sufficient evidence of a significant effect at the 5% level. Therefore, companies should focus on maintaining boards that are neither unnecessarily small nor excessively large. The study further concludes audit committee effectiveness, audit type and financial reporting timeliness have insignificant effects on financial performance. This result infers that they do not have any effects on the performance of the firms and these activities and expenses on them do not translate into higher returns, neither does it has the capability of improving the return on assets or value addition for the companies, even though an effective audit committee can strengthen internal controls, improve the

reliability of financial reporting, promote compliance with accounting standards and reduce financial misstatements and fraudulent practices. This makes the audit committee an important governance mechanism for financial sustainability. Overall, the study concludes that effective corporate governance contributes to better financial performance in food and beverage companies. Strong governance mechanisms can improve organizational accountability, enhance management monitoring, reduce financial irregularities and contribute to improved profitability and financial stability.

5.3 Recommendations

Financial performance is crucial to the existence and survival of any business undertaken. However, this can only be guaranteed and maintained through several mechanism amongst which are effective internal control systems, sound governance mechanism, prudent management of the organizational resources, capabilities to innovate and diversify their activities and host of others. In view of this, the study recommends that:

- i. The need to minimize agency conflicts cannot be over-emphasized hence, there is a need to ensure strict adherence to codes of corporate governance by all listed companies. This will not only protect investors' interest but will at the same time deepen governance practices among firms and at the same time enhances investors' confidence.
- ii. Similarly, there is need to review the codes of corporate governance periodically, so as to meet global trends, and instill sound governance culture in the country.
- iii. The need to ensure board independence is crucial and cannot be over-emphasized. Independent board strengthens oversight and transparency amongst the management; hence, this should be sustained at all times.
- iv. Gender inclusiveness is important, but more importantly, female board members have been impactful to board and organizational performance. to this end, there is need to ensure good percentage of women are on the board so as to leverage on their expertise and dedication to propel firm growth.
- v. Inclusion of independent directors should be based on professional expertise, capability, and integrity.
- vi. Food and beverage companies should provide continuous training and development programmes for board members. This could address current trends and latest development that could positively affect the firm's long-term objectives.
- vii. Companies should strengthen their internal control and audit, as well as ensuring that the composition of audit committee is not based on preferential treatment. The qualities of the members of the audit committees has direct and indirect impact on the success or otherwise of their assignment. By ensuring that the members have proven integrity and ability to deliver on their assignment, the audit committee should be objective at all time.
- viii. There is a need to ensure a whistle blowing policy at all times.

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