



**Board Size; Audit Committee Independence and Returns on equity in Nigeria:
A Parallel Study of Both Banking; and Consumer Goods Sectors.**

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ABSTRACT

Good corporate governance practices are regarded as important in reducing risk for investors, attracting investment capital and improving the performance of companies both in the financial and non-financial industries. This study was initiated to empirically carry out a simultaneous investigation of the impact of board size and audit committee independence on firms' financial performance measures of return on equity in both the banking sector; and consumer goods sector in Nigeria. The aim of the study was to examine board size and audit committee independence influences returns on equity in both banking sector; and consumer goods sector by carrying out concurrent analysis in order to see how the variables- board size and audit committee independence relates to returns on equity in each of the sector.

Data for the study were obtained from the audited published annual statement/reports of the listed banks; and consumer goods firms in the Nigerian Stock Exchange representing the period of 2014-2018 financial years. Two null hypotheses were formulated with respect to the two the two sectors to guide the study. The data gathered with respect to the concerned sector were concurrently analyzed using the multiple regressions model via the special package for social sciences (SPSS) version 23. Based on the results from the regression analysis, our findings revealed that board size has no significant relationship with returns on equity in both banking sector; and the consumer goods sector in Nigeria respectively. The study equally revealed the study revealed that ACI has a positive and insignificant relationship with ROE in the Banking sector; while a positive and significant relationship with ROE in the consumer goods sector. On the strength of the above, the study recommended among others, that firms should considered beyond the size the of their board in enhancing financial performance, while adhering strictly to the corporate governance practice of audit committee independence.

Keywords: Board Size, Audit Committee Independence; Return on Equity.

1.1 Introduction

Corporate governance is a global concept that has captured the interest of the world and has grown up to become a major issue and a policy agenda for many companies and government agencies, and as well as the academic environment in both the developing and developed countries. The practice of good corporate governance, further gained intensified momentum as a result of global events concerning high-profile fraudulent financial scandal by well-known companies which eventually led to their failure and collapsed in recent past. The poor corporate governance practice by these high-profile companies, and the global financial crisis faced in recent past actually made countries in the world over, to recalibrate their corporate governance codes. In this respect, the Nigeria business atmosphere were not left out, has the various government agencies such the Central Bank of Nigeria (CBN), Security and Exchange Commission (SEC) all reviewed their governance code to meet up with modern realities. Further, in a bid to embrace international best practices on corporate governance, and also to solve the multiplicity corporate governance code in Nigeria, a unified National code of corporate governance called the Nigeria Code Corporate Governance 2018 was introduced by the Financial Reporting Council of Nigeria (FRCN). According to Okoye and Ofoegbu (2011), corporate governance is the rules and laws that govern the relationships between managers and shareholders of companies, and the application of these rules and laws towards the achievement of the entity's goal. Good corporate governance practice is essential for improving firm's performance, ensuring shareholders' rights and interests, enhancing the investment atmosphere and encouraging economic development (Braga-Alves & Shastri 2011).

The disperse of shareholders in modern companies have also create enormous and serious challenges to the corporate business environment, where the shareholders who are the owners of the company are difference from the directors or management who runs the affairs of the company. These huge challenges of dispersion of shareholders has grown even more wider as result of advancement in technology which has enable the possibilities global attentions for companies to have shareholders in any part of the world. In practice, the interest of those who have effective control over a firm (managers or agents) may not align with the interest of those who supply the firm with finances (shareholders or principals). In order to check-mate the 'principal-agent' problem of management pursuing activities which may be detrimental to the interest of the shareholders of the companies and society at large, it is generally believed that, good corporate governance must be entrenched as a foundation for good corporate performance. The primary objective of corporate governance is to align managerial interest with that of stakeholder's interest, so that manager's work in the best interest of the stakeholders (Nworji, Adebayo & David, 2011, cited in Okaro, Okafor & Okoye, 2015, p. 106). Otherwise, it has been argued by researchers that poor corporate governance practices invariably result to the failure of firms (Enofe & Isiavwe, 2012).

The whole essence of the corporate governance codes is to protect the investors from unscrupulous and selfish directors/managers especially those of quoted and listed firms in Nigeria. In Nigeria, among the few empirically studies on corporate governance are the studies of Osisioma, Egbunike and Adeaga (2015); Osisioma (2013); Okaro, Okafor and Okoye (2015); Chukwuemeka, Okechukwu, and Iloanya (2015) and the rest of others. Unlike other studies on corporate governance, our study is a concurrent empirical analysis of both the banking sector; and the consumer goods sector. The banking sector was chosen alongside the consumer goods sector for the study, because the banking sector is taken seriously in any economy, and in Nigeria, the banking sector, like the consumer goods sector has experienced poor corporate governance

practices that have led to the failure and collapsed of some banks. Therefore, the retention of public confidence through the enthronement of good corporate governance remains of utmost importance given the central role that banks, and consumer goods firms play in any economy. Consequently, this study is different from previous studies on corporate governance because the study made use of two parallel samples drawn from the two distinct sectors— the heavily regulated banking sector of the financial industry and the consumer goods sector belonging to the non-financial industry. The aim of this parallel analysis is for the researchers to know how the adopted corporate governance mechanisms – board size and audit committee independence have influenced the financial performance measured by ROE in both banking sector; and the consumer goods sector.

1.2 Statement of the Problem

It has been argued that good corporate governance leads to better firm performance as well as increasing firm value. However, since the failure and collapse of many known companies in the world over, as a result of poor governance practice, the importance of good corporate governance has been re-emphasized and awakened. Different countries have either introduced stricter corporate governance code, or review their already existing codes of corporate governance to meet up with current realities in the global corporate environment. In Nigeria, bid to have a National code of corporate governance to solve the problem of multiplicity of the various government agencies codes such as CBN and SEC codes of corporate governance, the government of Nigeria through the Financial Reporting Council of Nigeria (FRCN) unified code called Nigeria Code Corporate Governance 2018. However, despite these corporate governance codes, firms still continue to face immense challenges in boosting their financial performance.

1.3 Objectives of the Study

The main objective of this study was to concurrently analyse the relationship between corporate governance mechanisms and financial performance in both the banking sector; and the consumer goods sector in Nigeria. While, the specific objectives focused on the following:

1. To examine the relationship between Board Size and Return on Equity in both the Banking Sector; and the Consumer Goods Sector
2. To ascertain the relationship between Audit Committee independence and Return on Equity in both the banking sector; and consumer goods sector

1.4 Hypotheses

In line with the above research objectives, the following null hypotheses were formulated and tested:

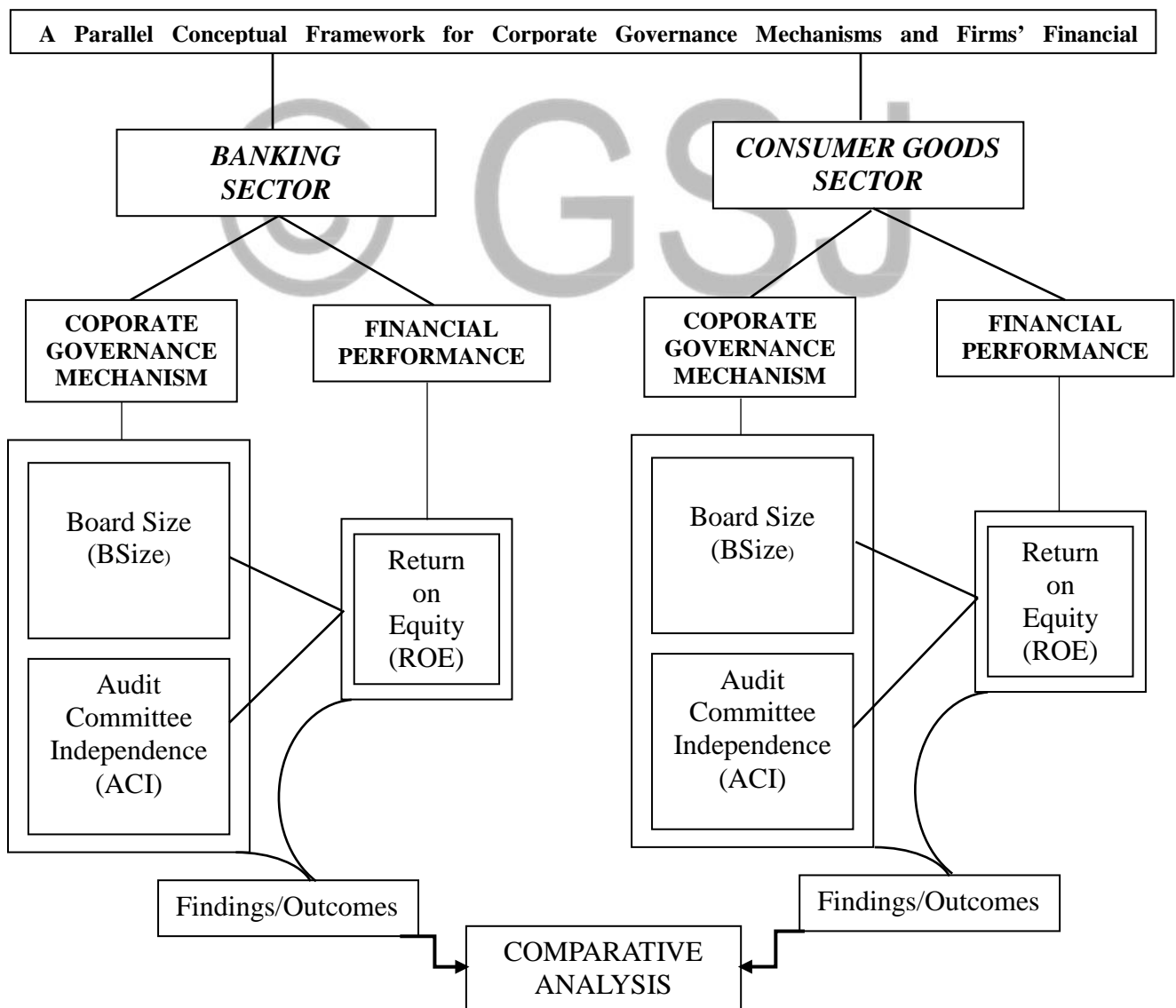
H₀₁: There is no significant relationship between Board Size and Return on Equity in both the banking sector; and consumer goods sector.

H₀₂: There is no significant relationship between Audit Committee Independence and Return on Equity in both the Banking Sector; and Consumer Goods Sector.

2. Review of Related Literature

2.1 Conceptual Framework

The model below shows the parallel conceptual framework of how the study aimed at examining the impact of corporate governance mechanisms (board size, and audit committee independence) on the financial performance measures of Return on Equity (ROE) in both the banking sector; and consumer goods sector.



2.1.1 Corporate governance concept

The concept of corporate governance has taken it prominent in the committee of nations and in the global business environment as a result of the global financial crisis with equally made well-known to lost their status as a going concern in the world over. The failure and collapsed of many well-known companies have actually made stakeholders in the corporate world to revisit the concept called corporate governance. However, from the extant literature on the subject 'corporate governance', there has not been no one universally acceptable definition of concept corporate governance. Rather, there are international standards and guidelines on corporate governance which have been established by Multilateral Organizations' such as the Organisation for Economic Co-operation and Development (OECD) and Basle Committee, in an effort to ensure improved legal, institutional and regulatory framework for enhancing corporate governance practice in institutions such as banks and financial markets (Kibirango, 2002).

The Cadbury Committee headed by Adrian Cadbury defines corporate governance as a system by which corporations or companies are controlled and directed. Bhasin (2012) sees corporate governance as the principal processes that set the relationship between the firm management, corporate board, minority and majority shareholders and all stakeholders. Furthermore, Kim and Rasiah, (2010) asserts that corporate governance is the relationship among shareholders, board of directors and the top management in determining the direction and performance of the corporation. Adeusi, Akeke, Aribaba, and Adebisi (2013), explained that corporate governance is a set of rules and incentives through which the management of an organization is being directed and controlled. These views were equally extended by Demaki (2017) who sees corporate governance as an institutional arrangement that checks the excesses of managers by controlling them.

Ismail (2012) which sees corporate governance as an important concept which relates to the ways and manners in which the resources (human, machine, finance) of an institution are effectively used to achieve the overall corporate objective of the firm. Adekoya (2012) defined corporate governance mechanism as "the processes and systems by which a nation's company laws and corporate governance codes are enforced". Hence, corporate governance is concerned with the ways of bringing or aligning the interests of investors and manager in ensuring that firms are run for the benefit of investors as well as other stakeholders. It is a system by which companies are directed and controlled, and the boards of directors are responsible for the governance of their companies, with shareholders' playing the role in the appointment of the directors and the auditors to satisfy themselves that an appropriate governance structure is in place.

2.1.2 Board size

Corporate governance codes, and the extant literature on corporate governance have in different time made recommendations concerning the number of board members based on its importance in running the affairs of firms. In the Nigeria SEC code of corporate governance (2011), the code suggested that the board of a firm should be of a sufficient size relative to the scale and complexity of the company's operations, and the code equally stated that the membership of the Board should

not be less than five (5). Further, existing literature on corporate governance studies has equally argued that board size plays an important part in firms' performance. Some of these studies on board size were proponents of large board size, while others argue with respect to small board size on firm performance. The findings from the various studies have all shown that both large and small board size have their advantages and disadvantages. There is however the argument by some of these studies that limiting board size to a particular level would improve firms' performance. Lawal (2012) argues that board size affects the quality of deliberation among members and ability of the board to arrive at an optimal corporate decision. Hence, research has revealed that when a board gets too big or large, it becomes very difficult for such board to coordinate its process and tackle strategic problems of the organisation. According to Abiodun (2012) large boards has positive relationship with performance in Nigeria. Hussainey and Aljifri (2012), cited in Mohamed and Khairy (2016) found that the total number of board of directors has a positive relationship with the debt-to-equity ratio. Also, there have been contradicting results concerning board size and firms' performance in existing corporate governance literature. According to Gill and Mathur (2011), revealed that larger board size has a negative impact on the profitability of the Canadian service firms. Eyenubo (2013) also revealed in his study that bigger board size affects the value of the firm negatively as well as their financial performance, while González and García-Meca (2014) reported negative relationship between board size and earnings management measured by discretionary accruals. Nwokwu, Atapattu and Azeez (2019) also reveal that board size is negatively significant in relation to ROE at 1% level

2.1.3 Audit committee

The code of corporate governance in Nigeria made a provision for the audit committee to be constituted in every public company. According to the Companies and Allied Matters Act (CAMA' 90) as amended in 2004, every public company is required under Section 359 (3) and (4) of the Act to establish an audit committee. The Act states that it is the responsibility of the Board to ensure that the audit committee is constituted in the manner stipulated by the Act and that committee should be able to effectively discharge its statutory duties and responsibilities. The Companies and Allied Matters Act, 2004 states that a public limited liability company should have an audit committee (maximum of six members of equal representation of three members each representing the management/directors and shareholders) in place. The members are expected to be conversant with basic financial statements. The committee has the following objectives: increasing public confidence in the credibility and objectivity of published financial statements, assisting the directors, especially the non-executive directors to carry out their delegated responsibilities for effective financial reporting, and strengthening the independent position of the firm's external auditors by providing an additional channel of communication. It has been reported in the corporate literature that audit committees play very important roles in financial aspects of corporate governance as they help ensure audit quality in firms while at the same time protecting the interest of investors (Okaro & Okafor, 2010, cited in Okaro, Okafor, & Oraka 2014). According to Okaro and Okafor (2010), an audit committee is one of the major shareholders' watch dogs in the area of corporate finances. Strong audit committees acting as surrogate for investors' interests, provide a key check and balance in the governance system. Audit committee independence is considered crucial for the effective performance of audit committee, and the presence of the Audit Committee is likely to reduce agency problems related to moral hazard and adverse selection, whether through oversight functions and monitoring in both reporting and auditing (Baber et al., 2012; Aldamen, Duncan, Kelly, McNamara, & Nagel, 2011).

2.1.4 Performance measure

There are various performance measures which have been employed in researches as a measure for firm's performance, such as profitability, dividend payout, value ratio, productivity, net present value, earnings per share and rest of others. However, this study focused on the financial performance measures. Specifically, this study used returns on equity to proxy for financial performance.

2.1.4.1 Returns on equity (ROE)

Returns on Equity (ROE) measure the profitability by revealing how much profit the firm generates with the money common stockholders have invested in it (Vintila&Gherghina, 2012). According to Pandey (2010), common or ordinary shareholders have the right to the residual profits. The rate of dividend is not fixed; the earnings may be made available at shareholders or retained in the business. Nevertheless, net profits after taxes represent their return. Return on shareholders' equity is calculated to see the profitability of owners' investment. The shareholders' equity or net worth includes paid-up share capital, share premium and reserves and surplus less accumulated losses. Net worth can also be found by subtracting total liabilities from total assets.

The return on shareholder's equity is net profit after taxes divided by shareholders' equity. That is,

$$ROE = \frac{\text{profit after taxes}}{\text{Net worth}} = \frac{\text{PAT}}{\text{NW}} \text{ OR, } ROE = \frac{\text{profit after tax}}{\text{Average Shareholders' Equity}}$$

2.2 Theoretical Framework

The existence of divergent and sometimes conflicting objectives between managers and shareholders has given rise to the design of many concepts and mechanisms to ensure that the cost associated with such divergent interest is minimal. One of the proposed arrangements is corporate governance and it is not surprising that the agency theory has been the dominant paradigm in the corporate governance literature among other theories like stewardship theory, stakeholder theory, resource dependency theory, transaction cost theory and political theory (Abdullah & Valentine, 2009). However, this study was anchored on two theories - the Principal-agent theory and the stakeholder theory in analyzing the relationship between corporate governance mechanisms and firms' financial performance of both the banking sector; and consumer goods sector in Nigeria. The agency theory presupposes that shareholders require protection because management (agents) may not always act in the best interest of disperse shareholders (Jensen & Meckling, 1976). The theory is based on the idea of separation of ownership (principal) and management (agent). It states that, in the presence of information asymmetry the agent is likely to pursue interest that may be in conflict with the interest of their principal (Sanda, Mikailu&Garba 2005). Hence, effective corporate governance can reduce agency costs and tackle problems related to the separation of ownership and control. On the other hand, the stakeholders' theory attempts to address the questions of which group of stakeholders deserve the attention of management. The stakeholders' theory proposes that companies have a social responsibility that requires them to consider the interest of all parties affected by their actions.

2.3 Empirical Review

2.3.1 Corporate governance and firm performance

In spite of the generally accepted notion that effective corporate governance enhances firm performance, other studies have reported negative relationship between corporate governance and firm performance (AbdurRouf, 2011). Abdulazeez, Ndibe, and Mercy, (2016) examined the impact

of corporate governance on financial performance of all listed deposit money banks in Nigeria for a period of seven (7) years, and they found that larger board size contributes positively and significantly to financial performance of deposit money banks in Nigeria. Also, Odiwo, Chukwuma, and Kifordu, (2016) examined the impact of corporate governance on performance of manufacturing firms in Nigeria. Their study employed a cross-sectional data from a sample of thirty (30) manufacturing firms drawn from the quoted manufacturing companies in Nigeria using data obtained from the audited annual financial statement covering the period of 2010 to 2014. They conducted descriptive statistics, correlation and a regression analysis, and found that board size has a positive and a significant impact on organizational performance at 1% level of significance.

Ahmed and Durga (2019) examined the impact of corporate governance on the Saudi banking performance for the period of 2014–2017. Firm performance was measured through return on assets, return on equity, and Tobin's Q as the dependent variables. The corporate governance measured were board characteristics (size, meeting, number of committees, independence, foreign board membership), and an audit committee (size, meeting, independence) as the independent variables. Firm size and firm age are the controls. Panel data analysis was employed, while descriptive and multivariate analysis through multiple regression was used to investigate the relationship between corporate governance and firm performance. The empirical findings revealed that board size, audit committee meeting and bank size have a positive impact on ROE, whereas board independence has a negative impact on ROE. Similarly, board size and bank size have a positive relationship with ROA and board meeting has a negative relationship with ROA. Further, board (size and independence) and bank size have a positive relationship with Tobin's Q, whereas number of board committees and bank age have a negative relationship with Tobin's Q. Finally, audit committee (size and independence) and foreign board membership have no impact on the bank performance.

Aminu et al. (2015), empirical study on corporate governance variable board size and composition on financial performance using selected firm in Nigeria, revealed that board size has significant negative impact on performance with respect to ROE and ROA. Azeez (2015) investigated the relationship between corporate governance and firm performance in Sri Lanka. Board Size was used as one of corporate governance variables and ROE as measures of firm performance. Data were obtained from the annual reports of 100 listed companies in the Colombo Stock Exchange for the period 2010-2012 financial years. The regression results indicated that board size is negatively associated with firm performance. Kamau, Machuki, and Aosa, (2018) study examined the influence of corporate governance on the performance of financial institutions in Kenya. They used structured questionnaire, and data were obtained from 108 financial institutions comprising banks, insurance companies, savings and Credit Cooperative Societies (SACCOs) and Micro-Finance Institutions (MFIs). The multiple regression analysis was used, and the results indicated that corporate governance has a statistically significant influence on the performance of financial institutions. Ali and Ali (2018) examined examine the relationships between corporate governance and financial performance of listed companies in Bursa Malaysia. The study focused on how board independence, board size, board expertise, audit committee size, audit committee independence, and audit committee expertise influence the financial performance of companies listed on Bursa Malaysia. This study used a sample of 150 non-financial listed companies in Malaysia. Regression analysis was conducted using Statistical Package for Social Science Version 22, and the outcomes

of this study show significant and positive relationships between all the independent variables and financial performance of companies listed on Bursa Malaysia.

3. Methodology

3.1 Research Design

The research design strategy employed in this study was the *ex post facto* research design which is a common and ideal method of conducting research in management and social sciences. The *ex post facto* research design is mostly used when it is not possible or acceptable to manipulate the characteristics of the variables under study. The choice for this research design was facilitated because data for the study were obtained mainly from secondary source which are already available in the audited published annual reports and website of the selected firms used for the study, and these data are not under the manipulation and control of the researchers. The used the multiple regressions and the estimation is Ordinary Least Squares (OLS) method. The parallel population for this study constitutes the entire deposit money banks; and the consumer goods companies listed on the Nigerian Stock Exchange (NSE). To conduct this research, samples for the study were drawn from the two distinct populations using the simple random sampling technique. The data obtained for the study with respect to the banking sector; and consumer goods sector covers the period of five year of 2014 to 2018 respectively.

3.2 Operational Measures of Variables

It is very important in statistics to know how a set of observation is measured because this will influence the method of analysis. The main variables for the two sectors used for the simultaneous analysis were corporate governance mechanisms via Board size; Audit Committee independence which are the independent/predictive variables, and the financial performance measured by returns of equity - the dependent/criterion variables. The proxies used for the banking sector were the same proxies employed for the consumer goods sector in the study.

3.3 Model Specification

The economic model used in the study which is in line with what is mostly found in the literature is given as:

$$Y = \beta_0 + \beta X_{it} + U_{it}$$

Where, Y is the dependent variable. β_0 is constant, β is the coefficient of the explanatory variable (corporate governance mechanisms), X_{it} is the explanatory variable and U_{it} is the error term (assumed to have zero mean and independent across time period). It is important to state that this study employed return of equity (ROE) as a measure of firms' financial performance for both the banking sector; and consumer goods sector. The model used for this study was specified with regards to the objectives of the study and was employed concurrently for both sectors used for the study.

The model is specified as follows:

$$ROE = f(BSize, ACI) \text{ ----- (i)}$$

The econometric transformation of the model:

$$ROE = a_0 + a_1 BSize + a_2 ACI + U \text{ ----- (ii)}$$

Where:

ROE = Return on Equity as proxy for Financial Performance

β_0 = intercept coefficient

β_1 = coefficient for each of the independent variable

BSize= Board Size

ACI = Audit Committee (Proportion of independent directors in audit committee in a particular year)

U = Error term.

Decision rule:

At 5% (0.05) level of significance (α), for the purpose of the study, if p-value is less or equal to 0.05, we reject the null hypothesis (H_0). But if p-value is greater than 0.05 then fail to reject the null hypothesis (H_0).

4.Data Presentation and Analysis

This section of the study lays emphasis on presentation, analysis and interpretation of the data obtained from the published annual financial statement of the studied banks; and consumer goods firms in order to validate or reject the null hypotheses earlier formulated with respect of the banking, and the consumer goods sectors in section one. The relevant hypotheses were tested and interpreted to fulfill the purpose of which this concurrent study was carried out. Data presentation for the study started with a descriptive statistic for the respective distinct sectors.

Table 4.1.1A Concurrent Descriptive Statistics of both the Banking Sector; and the Consumer Goods Sector Variables

Variables	Observations	Minimum		Maximum		Mean		Standard Deviation	
		Banking Sector	Consumer Goods Sector	Banking Sector	Consumer Goods Sector	Banking Sector	Consumer Goods Sector	Banking Sector	Consumer Goods Sector
ROE	65	-0.57	.02	.46	.73	.1149	.2198	.13560	.15020
BSIZE	65	9.00	6.00	19.00	15.00	14.3385	9.8615	2.50173	2.52411
ACI	65	2.00	1.00	3.00	3.00	2.9077	2.7231	0.29171	0.62519

Source:Output extract from data computation with SSPS version 23.

KEYS: ROE = Returns of Equity; BSIZE = Board Size; ACI= Audit Committee Independence.

The above table 4.1 shows the descriptive statistics of both the banking sector;and the consumer goods sector variables used for the parallel study. The above table, gives a salient avenue for a comparative descriptive statistical analysis for both sectors. The descriptive statistics revealed the minimum, maximum, mean and standard deviation of the variable employed for the parallel analysis of both the banking sector, and consumer goods sector.Hence, the mean value on ROE is higher in the consumer goods sector than the Banking sector with an average of .2198 and .1149 respectively. The minimum ROE for the consumer goods sector was 0.02 and that of the banking sector was -0.57, while their maximum was 0.73 and 0.46, with a deviation for their mean of 0.1502 and 0.1356 respectively.

Furthermore, the descriptive statistics indicated that board size in the banking sector has a higher mean of 14.3385 than the consumer goods sector which has a mean of 9.8615. The implication of this, is that the average board size of deposit money banks in the banking sectors in Nigeria is made up of 14 directors, while that of firms in the consumer goods sector is made up of approximately 10 directors. The minimum directors found in the board of deposit money banks of the banking sector is 9 directors, while that of the consumer goods sector is 6 directors; and the maximum directors stood at 19 directors for the banking sector and 15 directors for the consumer goods sector, with a relatively low standard deviation from the mean with 2.5017 for the banking sector and 2.5241 for the consumer goods sector.

The descriptive statistic revealed that both the banking and consumer goods sectors have an average of 3 non-executive/independent directors in their audit committee, with the banking sector having a minimum of two (2) independent director in audit committee; and the consumer goods sector having a minimum of one (1) independent director. The maximum independent director on the audit committee for each of the sector is 3, and the standard deviation from the mean for both the banking sector; and the consumer goods sector is 0.29171 and 0.62519 respectively.

4.1 Testing of Hypotheses

In this section, the two hypotheses stated in section one with respect to the banking sector; and consumer goods sector were tested using the multiple regressions analytical tool at 95% confidence level via the Statistical Package for Social Sciences (SPSS) Version 23 in determining the extent to which the various independent variables influences the dependent variable used for this study. The level of significance (α) for the study was 0.05. Consequently, in order to obtain reasonable result for this study, the hypotheses stated in section one, were collapsed to suit the specified model in section three of this study. The same model was used for both the banking sector; and the consumer goods sector concurrently. Hypotheses one and two were collapsed, and regressed separately as it concerns each of the sector used for the parallel study.

Table 4.4.1: Multiple Regression Analysis Result for the Banking Sector, and Consumer Goods Sector Based on the Financial Performance Variable ROE

Coefficients ^a										
	BANKING SECTOR					CONSUMER GOODS SECTOR				
Model	Unstandardized Coefficients		Standardized Coefficients	t-statistic	Sig.	Unstandardized Coefficients		Standardized Coefficients	t-statistic	Sig.
	B	Std. Error				B	Std. Error			
(Constant)	.326	.258		1.263	.212	-.464	.349		-1.329	.189
BSize	.005	.011	.086	.432	.667	-.008	.013	-.140	.656	.514
ACI	.066	.062	.142	1.062	.293	.107	.034	-.444	3.136	.003
Model Summary ^b										
		R-	Adjusted	Std.	Change Statistics					

	R	Square	R-Square	Error of the Estimate	R-Square Change	F Change	Sig. F Change
Banking Sector	.316 ^a	.100	.024	.13400	.100	1.308	.273
Consumer Goods Sector	.392 ^a	.154	.082	.14390	.154	2.146	.072
a. Dependent Variable: Dependent Variable (ROE)							
b. Observations: 65							

Source: Output extract from data computation with SSPS version 23.

KEYS: ROE = Returns of Equity; BSIZE = Board Size; ACI= Audit Committee Independence.

The results of the multiple regression analysis presented above in table 4.4.1 was based on the financial performance variable return on equity; and the independent variables board size, Audit committee independence for the study for both the banking sector; and consumer goods sector. From the table, the banking sector regression result indicated that R^2 is 0.100. This implies that the explanatory/independent variables –BSIZE and ACI in the banking sector explain changes in return on equity to the extent of 10 percent, while the remaining 90 percent are explained by other variables outside the model. The regression results also indicated that both BSIZE and ACI have positive influenced on return on equity (ROE) in banking sectors in Nigeria. This extent of the relationship was further determined using the test statistic for significant, hence, the t-statistics represented by the P-statistics. The t-test was used to test the statistical significance of these relationships between the explanatory variables – BSIZE, ACI and the financial performance variable - ROE. The result revealed that both BSIZE, and ACI in the banking sector have no significant relationship with returns on equity with $P > 0.05$ (i.e. 0.667 and 0.293 > 0.05) respectively. The implication of this revelation is that, changes in return on equity in banking sector is not influenced by the numbers of directors in board as well as the independent directors in the audit committee of deposit money banks of the banking sector in Nigeria. Hence, hypotheses 1 and 2 which state that there is no significant relationship between BSIZE; ACI and returns of equity in the banking sector were all accepted as stated in section one of this study.

On the other hand, from table 4.4.1 above, the consumer goods sector regression result indicated that R^2 is 0.154. This implies that the explanatory/independent variables - BSIZE, ACI explained changes in return on equity in the consumer goods sector to the extent of 15 percent, while the remaining 85 percent are explained by other variables outside the model. Further revelation from the regression result with respect to the consumer goods sector shows that BSIZE is negatively related to return on equity, while ACI is positively related to returns on equity. The p-value approach was used to test the statistically significant of these relationships, and as such, the relationship between Board Size (BSIZE) and ROE was not statistically significant at $P > 0.05$ (i.e. 0.514 > 0.05); while Audit Committee Independence (ACI) relationship with ROE was statistically significant at $P < 0.05$ (i.e. 0.003 < 0.05) in the consumer goods sector respectively. The implication of this, is that, while the BSIZE in consumer goods firms cannot be used to explain changes in ROE, the ACI can be used to explain changes in ROE in the consumer goods sector in Nigeria. Consequently, hypotheses 1 with state that there is no significant relationship between BSIZE and ROE in the consumer goods sector was accepted as stated, while hypothesis 2 which states that there is no relationship between ACI and ROE in the consumer goods sector was rejected, and it alternative considered.

5. Discussion of Findings

The discussions in this section were made based on the regression analysis results. The decisions concerning the formulated hypotheses for both sectors used for the study were made upon using the significant t-statistics represented by P-values. The study utilizes some randomly selected deposit money banks; and consumer goods firm listed in the Nigeria Stock Exchange. Consequently, the discussion of results was based on the stated objectives with respect to the distinct two sectors used for the concurrently analysis.

5.1 Objective One: To examines the relationship between Board Size and Returns on Equity in both the banking sector; and consumer goods sector.

The finding of the study revealed that board size has no significant relationship with firms' financial performance measured by ROE in both banking sector; and the consumer goods sector in Nigeria with P-value > 0.05 (i.e. 0.667 and 0.514) respectively. Though, there have been mixed empirical findings in the extant literature, the result of the study is in line with other previous empirical findings (Romano et al., 2012; Shelash, 2011; Duc & Thuy, 2013; Khaled, 2014).

5.2 Objective Four: To ascertain the relationship between Audit Committee independence and Returns on Equity in both the banking sector; and consumer goods sector.

Audit committee independence (ACI) was measured as the proportion of independent directors in the audit committee of a particular year. The proposition was that audit committee independence is not significantly related to returns on equity in both the banking sector; and consumer goods sector in Nigeria respectively. Having considered the result of the regression analysis, the study revealed that ACI has a positive and insignificant relationship with ROE in the Banking sector with $P > 0.05$ (i.e. $0.514 > 0.05$), and this finding is in line with previous studies (Al-Matari et al. 2012; Ghabayen, 2012). On the contrary, ACI in the consumer goods sector indicated a positive and significant relationship with ROE with P-value less than the level of significance at 5% (i.e. $0.003 < P < 0.05$), and this result corroborated other studies (Ahmed & Durga, 2019; Khaled, 2014; Hamdan, Sarea & Reyad, 2013; Triki & Bouaziz, 2012).

5.3 Conclusions and Recommendations

Owing to the study which concurrently examined the relationship between BSIZE; ACI and ROE on two distinct sectors in Nigeria – the banking sector; and the consumer goods sector, the researchers had cause conclude that Board size have no significant influence on return on equity in both banking sector; and consumer goods sectors. While ACI have positive relation with ROE on especially in the consumer goods sector where this relationship is proved to be significant. However, based on the above findings and conclusions, it recommended that firms should considered beyond the size the of their board in enhancing financial performance, while adhering strictly to the corporate governance practice of audit committee independence.

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