EFFECT OF CORPORATE GOVERNANCE ON INDUSTRIAL GOODS SECTOR'S PERFORMANCE IN NIGERIA

BY

OBAYEMI FUNMILAYO OLUWAPAMILERIN

Matric Number: 16020101023

A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF ACCOUNTING AND FINANCE, COLLEGE OF HUMANITIES, MANAGEMENT AND SOCIAL SCIENCES, MOUNTAIN TOP UNIVERSITY, IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF BACHELOR OF SCIENCES (B.SC. Hons) IN ACCOUNTING.

DECEMBER, 2020.

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Declaration

I, Obayemi Funmilayo Oluwapamilerin with the matric number 16020101023 is a student in the Department of Accounting and Finance under the College of Humanities, Management and Social Sciences in Mountain Top University. I would like to declare that the work entitle ”Effect Of Corporate Governance On Industrial Goods Sector’s Performance In Nigeria” submitted by me in partial fulfillment of the requirements for the award of Bachelor of Science (B.Sc.) in Accounting is my original work and has not been submitted either in part or full for any other degree or diploma either in this or any other tertiary institution.

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Obayemi Funmilayo Oluwapamilerin　　　　　　Date:

Certification

This is to certify that this research work “Effect Of Corporate Governance On Industrial Goods Sector’s Performance In Nigeria” by Obayemi Funmilayo Oluwapamilerin in the Department of Accounting and Finance has been examined and approved as meeting the requirements for the award of Bachelor Science (B.Sc.) Degree in Accounting, College of Humanities, Management and Social Sciences, Mountain Top University, Ogun State

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Dr. J. O Omokehinde
Head of Department

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(Signature and Date)

Dr. O. J. Akinyomi
Dean, College of Humanities, Management and Social Sciences.

Dedication

This project is dedicated to Almighty God for His infinite mercy, protection, and guidance throughout my stay at Mountain Top University. I also want to dedicate this project to my mother, who taught me that even the largest task can be accomplished if it is done one step at a time, also to my siblings, my honorable supervisor, Head of Department, other staffs and friends for their tremendous support and encouragement.

Acknowledgment

I am most grateful to GOD Almighty for his blessing in my life. My profound gratitude goes to my parents, Mr & Mrs.Obayemi and my siblings , My uncle , Mr. Obey samson and Mr. Osayande O. for their care and financial support. My sincere gratitude to my project supervisor Mr. Dr. Omokehinde J.O. , who gave out his time to ensure the success of this research work. Also to my humble and wonderful lecturers; Dr. O.J. Akinyomi, Dr. Onichabor Pius, Mr.Taleatu Akinwunmi, Mr. Samson Oladipo and Mrs.Abimbola Joshua for all their support and teachings . My profound gratitude to my wonderful friends; Accounting class of 2020, my colleagues Oamen abigeal, Adeniji ruth bukola, Ubong Isaac , Anthony Nelson, Kodilinye Chisom Davina,Yusuf Joseph, Akpabio Favour,Ibidapo,Moyege, Oyekan Ololade, Mutallab Mariam,Owoye Titilope,Oguntuga Deborah,Ipinmoroti Smart,Adedigba Tolulope and Mr. Kehinde Adeniran who has been of much support to me, and so many of them who in one way or the other supported me in my project work and academic life. I pray that Almighty God will reward you all. Amen.

Lastly, I would like to appreciate Dr. D. K. Olukoya and the Management of Mountain Top University who has made this possible through the establishment of the Mountain Top University and sponsorship. I say God will continue to prosper daddy G.O and the whole management of the school in Jesus’ name. Amen.

Obayemi Funmilayo

Abstract

This study probed the effect of corporate governance on the Industrial goods sector performance in Nigeria over a period of six (6) years spanning 2014 – 2019 using the panel regression approach for the explanatory variables. The relationship of corporate governance index [Board Composition (BCP), Audit Independence (AID), Board Independence (BID), and Audit Committee Composition (ACC)] and industrial goods firms' performance as measured by ROA differs.The method through which data were gathered and sampled to facilitate this research was the secondary method of data collection in which information were sourced from the Annual reports of the companies studied. In analyzing the data, the researcher made use of correlation and regression to establish the relationship between corporate governance and firm's financial performance.Test of hypotheses showed significant relationship (p= 0.045) between board composition and firm performance. Further test of hypotheses showed non-significant relationship between AID and BID, and financial performance of the industrial goods firms. The study concludes that the different indices of corporate governance has variant effect on performance. This means that, the study found mixed relationship between the variables. The study therefore recommends that shareholders should create a balance between the structures of ownership, institutional shareholders, controlling power with controlling shareholders. Also that, more studies be carried out in the specific area of internal audit composition and independence and organization performance. As it seems there is a hidden treasure, yet untapped in this area.

Keywords: Corporate Governance, Performance, Industrial goods companies.

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CHAPTER ONE

1.1 INTRODUCTION

1.2 Background of the Study

A limited public entity is a statutorily required as a platform or window to operate and implement corporate governance of the corporation. Corporate governance is portrayed as 'the system of laws, rules and factors that control operations of a company.'Corporate governance is the process by which Firms are coordinated and regulated.The boards of directors are accountable for the regulation of their business.Corporate governance is additionally about what the company's board will do and the manner in which it sets the organization's principles and is to be separated full-time staff from regular in operation management of the company.

Over the years, the external environment in which public companies operate has become increasingly challenging for companies and shareholders alike. The increased regulatory burdens levied on public corporations in the recent years have added to the costs and difficulty of overseeing and managing a corporation's business and has brought about new challenges from operational, regulatory and compliance perspectives.

Public businesses control society,are essentially constrained by effective democratic oversight or transparency, and also claim that it may be claimed that regulatory issues started when Margaret Thatcher adopted Friedrich Hayek's theory of free market forces and allowed corporations to efficiently govern themselves(Fabian Society 1884).

The corporate governance became a topic of importance due to the series of serious business failures between the years 1980s to 1990s with companies such as Blue Arrow,Polly Peck, Coloroll,Enron. Both disappointments were credited to the reality that the executives had so much use and were able to abuse it which the shareholders who were essential proprietors were incapable to apply their specialist.

Corporate governance isn't simply about how a business is directed and regulated to optimize efficiency and ensure responsibility to creditors and shareholders.Better governance practices and systems have been imperatives for both domestic and global economies.

A company that is run very efficiently and responsibly will perform very well and ultimately contribute to strengthening the economy. Public, private and non-profit organizations all need to be governed – apart from day-to-day management of the entities by their executive teams. Corporate governance in the case of corporations is the responsibility of the controlling authority or the board of directors.

The first codes of corporate governance were adopted in December 1992 in reactions to corporate failures in the United Kingdom. A report, referred to as the Financial dimensions of corporate governance, was created by a committee headed by Sir Adrian Cadbury. Now known as the Cadbury Report, the report considerably influenced corporate governance thinking round the world. Other nations taken after suit, France (Vienot Report, 1995); South Africa (King Report, 1994); Canada (Toronto Stock Exchange suggestions on Canadian board hones, 1995); The Netherlands Report (1995); and Hong Kong (a report on corporate governance from the Hong Kong Society of Accounting, 1996). These reports tried to forestall the abuse of power by corporate entities.

1.3 Statement of the problem

The problems faced by the researcher in this study include; One issue influencing Nigeria's corporate governance is the high recurrence failure in businesses at the turn of the 21st century; the world has begun to confront a variety of corporate issues, poor board of directors, no control separation between the CEO and the overseeing director and this has lead to a ponder of corporate governance guidelines. The United States' Sarbanes-Oxley Act and 2002, also known colloquially as SOX were among the commonly accepted results of these measures. It was based on the principle that corporate governance should not be left to the judgment of directors of corporation and their chief officers. (Olajide Olutuyi,2017).

The report further explores the impact of the makeup of Board composition and Independence of the board on the financial output of the industrial goods sector. Also distinguished by (Mehra 2005) is the issue of window dressing (eye-service) by the executives who are helped by the appointed auditors, as well as the issue of negligence and errors on the part of the auditors when auditing the financial statement of organizations which can be attributed to the lack of independence of the auditors.

With this as the background, this study looks to examine the effect of corporate governance on the performance in the Nigerian Industrial Goods Sector in order see whether those responsible for managing corporate affairs of the enterprise religiously observe appropriate corporate governance principles as stipulated by the regulatory authorities in Nigeria and other countries around the world.

1.4 Objectives of the study

The study's main objective to assess the effect of corporate governance on the Industrial goods sector performance in Nigeria. Specified objectives are listed below:

i) To assess the effectiveness of the Board's Composition on Firms' Financial Performance in the Industrial goods sector in Nigeria.
ii) To examine the significance of the Auditor's Independence on Firms' Financial Performance in the Industrial goods sector in Nigeria.
iii) To evaluate the significance of the Board Independence on Firms' Financial Performance in the Industrial goods sector in Nigeria.
iv) To examine the significance of Audit committee composition on Firms` Financial Performance in the Industrial goods sector in Nigeria.

1.5 Research Questions

The study is trying to answer the following questions:

i) What is the effect of the Board's composition on the financial performance of Firms' in the Industrial goods sector in Nigeria ?

ii) How does Auditor's Independence affect Firms' financial Performance in the Industrial goods sector in Nigeria.?

iii) What is the effect of Board Independence on the Firms financial Performance in the Industrial goods sector in Nigeria.?

iv) What effect does the Audit committee composition have on Firms' financial Performance in the Industrial goods sector in Nigeria.?

1.6 Research Hypotheses

The following hypotheses for the study have been stated in null form:

H_{01}: There is no significant relationship between The Board Composition and Firms` Performance in the Industrial goods sector in Nigeria.

H_{02}: There is no significant relationship between Auditors' Independence and Firms` Financial Performance in the Industrial goods sector in Nigeria.

H_{03}: There is no significant relationship between The Board Independence and Firms` Financial Performance in the Industrial goods sector in Nigeria.

H_{04}: There is no significant relationship between Audit committee composition and Firms` Financial Performance in the Industrial goods sector in Nigeria.

1.7 Scope of the study

The study will cover between the period of Six years from **2014 to 2019.** The sector to be covered is the Industrial Goods Sector in Nigeria. Companies listed and classified under Industrial Goods Sector by The Nigerian Stock Exchange are ten as stated below:

1. Berger Paints Plc
2. Beta Glass Co
3. CAP Plc
4. Cutix
5. Meyers Paints Plc
6. Portland Paints Plc
7. Dangote Cement
8. Baucement*(formely Nothern Nigeria cement company)*
9. Premier Paints
10. Lafarge Africa(WAPCO)

The measurement of efficiency of financial performance of the selected firms will be measured using return in asset (ROA) analyzed from the year 2014 to year 2019.

1.8 Significance of the research

Basically, the purpose of any scholarly research should be useful to Stakeholders. The probable beneficiaries of corporate governance in the industrial goods sectors are as follows:

1. Customers: The ability of companies to provide accurate information about their operations to their customers is essential factor to their success.

2 Employees: Companies and firms tend to place greater value on the contributions employees make to business operations. The employees carry out all the operations involved in the management of the corporate activities and ensuring correct assessment of the business financial statements.

3. Community: It is very critical that the capacity of the organization to work efficiently in the commercial world often depends on the community. Companies aim to contribute to the society by taking out their corporate obligation which ties them back to the local community.

4.Shareholders: The shareholders are those who own the company, the management is involved with control and running of the business of the corporation. The shareholders put forward the seed capital which is needed to start the business into operation and have a strong voice in the direction the company takes.

5.Business partners and suppliers of goods: Business partners and suppliers can also significantly affect the business. Partners can also be seen as companies acting together to accomplish a mutual purpose within joint ventures or cooperative investment opportunities. Suppliers of goods depend on vital information on the companies operations to assure them to invest in the company.

1.9 Operational definition of terms

1. Audit committee: The audit committee should track the integrity of the company's financial statements and any specific notifications related to the company's performance. Significant financial reporting judgments ought be particularly looked into. This implies that committee members ought to scrutinize all published financial data, and address and be prepared to challenge the finance executive and outside auditors on any contentious matters emerging.

2. Auditors` Independence: The Institute of Internal Auditors (IIA) depicts Independence as: assurance from imperatives that undermine the capacity of the inner audit operations to carry out inner audit obligations in an independent way.

3. Board Composition: refers to the total number of directors on the board of each sample firm which is inclusive of the CEO and Chairman for each accounting year. This will include outside directors, executive directors and non-executive directors.

4. Board Independence: can defines as the matters that relate to board independence (including independence of board committees) and diversity (firm and industry experience, functional backgrounds, etc.). Board independence applies to a board of directors with majority of autonomous directors outside the board.

5. Return on Asset: A calculation of profitability that compares the turnover ratio of the asset and the gross margin on revenue ratio. The formula is net sales divided by average of the assets.

CHAPTER TWO

2.0 Literature Review

This aspect deals with the conceptual examination of corporate governance and firm's financial performance and also includes the theoretical review and empirical evidence in relations to corporate governance.

2.1 Conceptual Review

The concept of corporate governance has been clarified by many authors, with meanings ranging from country to country which has made it difficult for corporate governance to have a universally acceptable definition.Some of these definitions include Shleifer and Vishny (1997) have proposed that corporate governance deals with aspects in which corporate finance providers ensure that their investment returns.

One of the most commonly used concepts was the 1999 Organizational for Economic Co-Operation and Development (OECD). Corporate governance is a partnership between the board of directors of the company, its owners and other stakeholders. It also lays out the organization are set and the means to accomplish those objectives and to track the success of the company(OECD,2004).

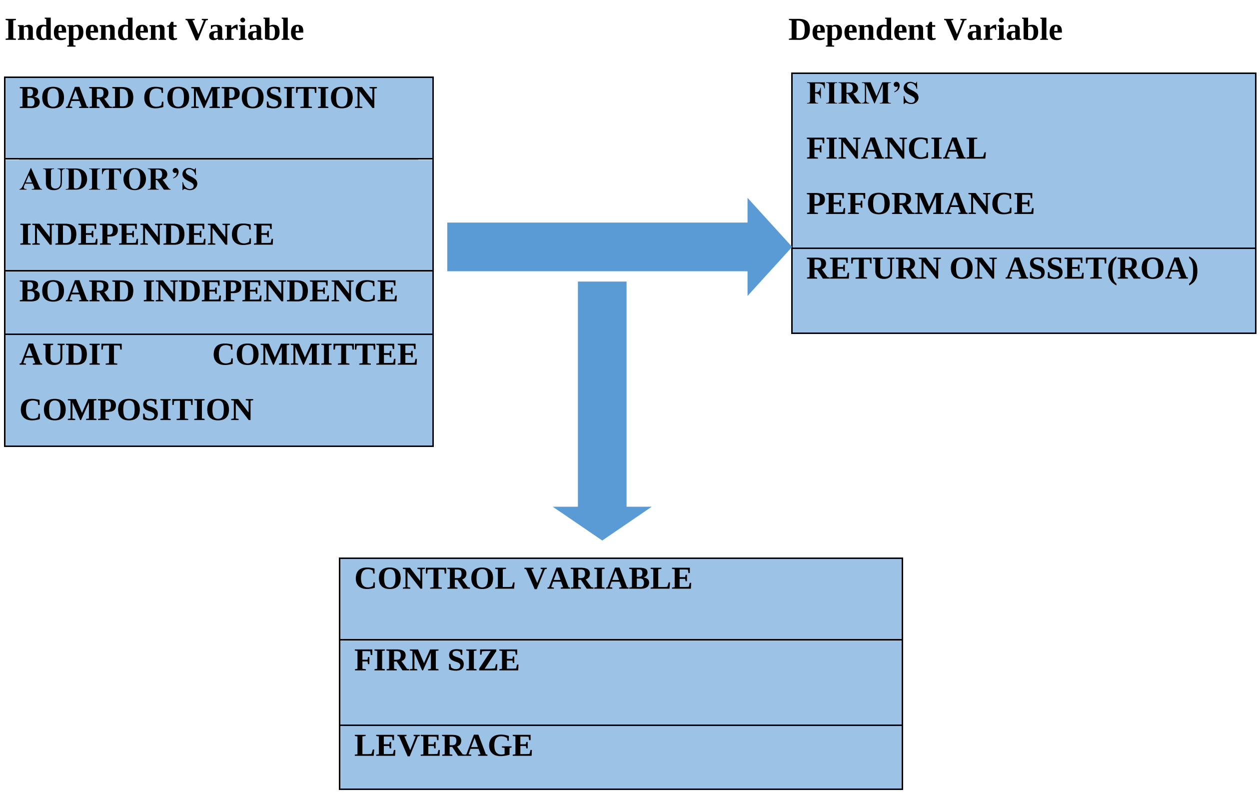
Because good corporate governance is a common obligation, the OECD welcomes and promotes broad use of the standards by states, private organization, corporations, investors and other parties committed to enhancing corporate governance practices. The OECD looks forward to working collaboratively countries within and beyond OECD Membership, with international organizations such as the World Bank and the IMF, and with regional organizations and private sector bodies to improve the corporate governance around the world.

The need for corporate governance arose due to the various failures of the business;for scandal from companies such as Enron(2001),Worldcom(2002),Volkswagen(2005).

Nigeria has had its own fair share in maintaining a strong corporate governance which has lead to the numerous business failures over the years which took off from the massive failure in the Banking industry which brought about the issuance of the Corporate Governance Code for Banks and non Financial institutions by several organizations in Nigeria including Central Bank of Nigeria; which also involved the introduction of the 11 Corporate governance concepts that gives a clearer breakdown of the previously stated codes by the Organizational for Economic Co-Operation and Development (OECD).

The 11 principles of the regulation focus on appointments, board proceedings, board responsibilities, assessment and audit committee,Board structure and composition, Separation of power between Chairman and the Chief financial officer,Directors' level of remuneration and disclosures of remuneration, Risk management, Financial disclosure,relations with shareholders. (Olutuyi,2017).

2.1.1 Corporate Governance Mechanism



Source:Researcher's conceptualization, 2020

2.1.2 Corporate Governance in Nigeria

Nigeria also has its reasonable share of corporate governance history. Prior to the 1990s,Nigeria's primary business legislation was he Companies Act 1968,which was based on the United Kingdom's companies Act 194.. The Act was canceled and supplanted by the then Companies and Allied Matters Decree No. 1 of 1990. There have been many changes over the years but the Companies and Allied Matters Act Cap. C20, 2004 remains the most controlling company law in Nigeria today. The new legislation was the result of a comprehensive process headed by the Nigerian Law Reform Commission.

The code of corporate governance for Banks and Other Financial Institutions was the first corporate governance code in Nigeria. It was issued by the Bankers Committee in August 2003. The Legislation was enacted in reaction to the financial emergency of the 1990s. The 11 principles of the regulation focus on appointments, board proceedings, board responsibilities, assessment and audit committee,Board structure and composition, Separation of power between Chairman and the Chief financial officer,Directors' level of remuneration and disclosures of remuneration, Risk management, Financial disclosure,relations with shareholders. Unfortunately, this code did not have much impact.(Olutuyi,2017)

2.1.3 Corporate Governance

Corporate governance is the structure by which corporations are directed and regulated. Boards of directors should be dependable for the organization of their businesses. The shareholders' part in administration is to delegate the directors and the auditors and to fulfill themselves that an suitable governance structure is in place.

The Board's duties include setting the corporate priorities of the company, providing the leadership for its operations of the company and reporting to the shareholders on its management.

Corporate governance is therefore about what the board of a corporation does and how it determines the company's principles, and it must be differentiated by full-time employees from the day to day operating control of the company.

2.1.4 Financial Performance

Financial performance can be described as the achievement of a financial mission or the fulfillment of a financial task, it relates more to the manner in which it is carried out by the accomplished.

Frich Kohlar defined Financial performance in this words, “Performance is a generic term used for part or more of he operations of an entity over a period of time, often in regard to past future cost effectiveness, managerial obligation or transparency or the like. It is then not only the presentation of the task, but even the outcomes achieved apply to the output.

Financial performance is the process of carrying out financial operations and also the degree to which financial goals are attained. It include calculating the effects of monetary policies and activities of a company. The general financial health of the company is measured across a given period of time and can also be used to compare comparable companies in the same industry or to compare businesses or aggregation sectors.

Financial performance requires to two basic statements; the balance sheet(now statement of financial position) and Income statement(now comprehensive income statement). The balance sheet indicates the state of the company at a given point of time in this case the status of the company at the end of the accounting period is the same for the income statement which shows all the firm’s revenue and expenses for the accounting period. Financial performance takes into consideration these following, Trend Analysis, Fund Flow Analysis, Cash Flow Analysis, CVP Analysis, Ratio Analysis,Value Added Analysis etc. It can be used for the financial analysis purposes. The second aspect is the Statistical Technique;it includes Measures of Central Tendency, Measures of Central Tendency.

The essence of measuring the financial performance of a company is to ensure that the performance is making sufficient use of its resources and is also make informed economic decisions which in return will yield gain or profit for the Firm.The study is making use of Return on Asset (ROA).

Return on Asset (ROA) which helps investors measure how their money or services are used by management, it is calculated as;

ROA= Net Profit After Tax/Total Assets

where:Total Assets=Shareholder Equity+Liabilities

2.1.5 Corporate Governance and Firm's Financial Performance

Corporate governance can be seen critical as financial performance in the appraisal of investments firms. Investors are being presented with a degree of accountability transparency is likely to invest publicly in certain businesses that contribute to greater performance in the finance sector.

The owners in a company are;trade creditors, bondholders, investors, staff, and administrators. Every group has its own interest in controlling the financial performance of firms. Annual reports are published by companies to keep the respective parties(investors, management and the public) informed about the company's financial results .The report is designed to provide interested parties with credible and accessible financial statements that provide an analysis of the company's financial results.

Corporate Governance increases corporate transparency and prevents big disasters before they occur. In this regard, these studies allow for the disclosure of the trade-off between Corporate governance and financial output of the company by using the data of the firms listed on in Industrial goods sector in Nigeria.

This study, explores the effect of the corporate governance on Industrial goods sector's performance in Nigeria, describes how a strong corporate governance structure in place helps monitor corporate risks and controversies,boost corporate performance, enhance investors and most significantly, enhance company valuation and transparency.

2.1.6 Firm's in Industrial Goods Sector in Nigeria

The contribution of the industrial sector to the economy cannot be over emphasized considering its position in building ground for growth, its capacity for jobs and its financial effects on Nigeria's economy.

Globally, it has been debated that the quickest pattern by which a nation can attain sustainable economic growth and prosperity is not the level of its endowed natural capital, nor that of its large human resources, but technical advancement,business development and industrial power. The industrial goods industry of the economy is one that produces finished products that can then be used viz construction and production sectors. Industrial sector is also known as secondary sector.Industrial sector or secondary sector is one of the 3 industries that make up the economy of a country the other two are the primary sector (including agriculture, forestry, and mining) and service sector (including hospitality, consultancy and nursing).

The Industrial sector in Nigeria has contributed immensely to the GDP growth of Nigeria,manufacturing industries contributed of 4.2% GDP in 2009, up from 3.6% in 2008. The sectors contribution to GDP has changed little over the course of the decade,Adebiyi & Babatope (2004) In 2012, the manufacturing sector contributed over 3.05 percent to GDP Hence, this study aims to discover and examines the effects of corporate governance on the industrial goods sector performance in Nigeria.

2.1.7 Effect Corporate Governance On Economic Growth

In the broadest context, well-run businesses are more likely to lead to economic growth, as they are stable, competitive and capable to providing daily returns to their workers, and improving consumer trust in the stock market. If we recognize that the OECD – Organization for Economic Co-operation and Development, which is entitled to support policies aimed to achieving the highest sustainable economic growth and quality of living in member countries and thereby leading to the development of the global economy, has issued "The OECD Principles of Corporate Governance" as one of 12 central principles for sound financial system, it is indisputable that corporate governance affects positively on economic growth.

According to the OECD (2004: 3), corporations play a crucial position in one country's development, rendering strong corporate governance is a major part of economic development. Corporate governance is also a crucial factor in enhancing economic performance and development and growing market trust (OECD 2004: 11). In other words , the existence of an efficient corporate governance structure, both within an individual organization and throughout an economy as a whole, serves to create a degree of trust that is required for the proper functioning of business economy. As a result, the cost of capital is costs, are smaller and companies are allowed to make more productive use of energy,thus underpinning economic growth (OECD 2004: 11). Aviral (2010)analyzed the impact of the performance of corporate governance on economic growth in a cross-country framework in two specifications.It found that execution of corporate administration is emphatically adversely connected to the financial development in both detail and in all models and hence things not as it were for the current year but it proceeds to tireless in future moreover. In addition, we observed that role played by human capital is negative but physical capital and government final consumption spending plays major positive role in the economic development of cross-section of countries it has also been found that trade does not have significant effect on the economic growth in cross-section of countries.

2.2.0 Board composition and firm financial performance

Board composition consist of board diversity, board size and foreign ownership.Yermack 1996) contends that littler sheets are more ingenious than bigger ones in terms of getting a better advertise valuation, moved forward return on resources and return on deals. It is important to note that larger boards invariably take longer in their deliberations, and often suffer the demerits related to procrastination. However, too limited a board would also deprive the organization the variety and alignment necessary.It has been suggested that companies with significant numbers of outside directors in the board usually have less agency issues and thus have a greater balance among the shareholders rights and those of management (Fernandes,2005).Khan & Awan (2012) assessed the how board composition influences firms' performance in Pakistan.

The study used independent sample t-test and group statistic to interpret the data collected from 91 listed firms at Karachi Stock Exchange (KSE). ROA, ROE and Tobin's Q score was used as markers for the dependent variables. There results showed that firm performance and board composition have positive correlation.

2.2.1 Auditor independence and firm financial performance

The independence of auditor includes a vital role in keeping up the certainty of clients within the inspected monetary articulations. Independence of appearance permits the auditor to avoid circumstances that would lead a few to accept that they may not have and autonomous, unbiased demeanor of intellect.

Zureigat (2010), analyzed the effect of financial structure among Jordanian listed firms on audit quality. A sample size of 198 companies, the logistic regression analysis shows a positive relationship between audit quality and financial structure.

Nam (2011), investigated the effects between audit fees as a proxy for the independence of auditors and audit quality of firms in New Zealand. Using three multiple regression models for a sample of New Zealand firms, his analysis showed that the availability of non-audit services by the auditors of a company comprises the independence of the auditor , irregular shift in the cost of audit fee is negatively related with standard of audit and independence of the auditor of the previous year has an impact on the audit fee that is agreed in the current year.

2.2.2 Board Independence and firm financial performance

Corporate boards are the dominant mechanism for corporate governance and play a key role in monitoring management and aligning the interests of shareholders with management. Zajac & Westphal (1996) suggest that decision quality should be enhanced through overlapping the committee knowledge transfer.

Brown & Maloney (1999) find that firms with interlocking directorates receive superior returns from acquisitions. Bhagat & Black (2002) study 934 major US corporations. They found a significant negative relationship between firm performance and board independence. Larcker *et al.* (2014) argue that a high degree of overlap between committees maximizes the sharing of specialized knowledge within the board and therefore reduces information asymmetry.

The implication of these studies is that there is a positive relationship between the overlap of independent directors and firm performance of the committee, thus the suggesting hypothesis is suggested.

2.2.3 Audit committee composition and firm financial performance

Anderson *et al*, (2004) argues that if the size of a team is large, individual members may be more vulnerable to the pressure and more likely to follow the opinion others' without giving any further argument. In this case, the audit committee members are improbable to address the potential mistakes within the accounting reports of the inside survey prepare, which in turn might lead to a more noteworthy chance of resubmitting afterward Al-Mamun *et al* (2014) examined the relationship between Audit Committee Characteristics, External Auditors and Economic Value Added of Public listed Firms in Malaysia. EVA was used as performance measurement tool in the study. The sample is made up of 75 firms and the year of observations is 2008-2010. The findings of the study show that audit committee independence is positively linked with firm performance .Generally, audit committee characteristics have a positive effect on firm performance.

2.3 Theoretical Review

2.3.1 Agency Theory

Agency theory with its roots in economic theory was outlined by Alchian & Demsetz (1972) and further developed by Jensen & Meckling (1976). The theory of the Agency is described as "the relationship between the principals, such as shareholders and agents such as executives and managers of the company ". In this principle, shareholders who are the managers or directors of the company, employ people to work. The Principals assign the management of company to the executives or administrators, who are the shareholder's agents (Clarke, 2004). Indeed, Daily *et al* (2003) argued that there are two considerations that could influence the validity of agency theory. First, the theory is a conceptually and clear theory that restricts the company to two managers and shareholders. Second, agency theory suggests that staff or administrators in organizations may be self-interested.

2.3.2 Stewardship Theory

Stewardship theory is rooted in psychology and sociology and is defined by Davis, Schoorman & Donaldson (1997) as "the steward preserves and maximizes shareholders capital by firm success, because by doing so, the utility functions of the steward are maximized". In this perspective, managers are business executives and employees working with the customers, securing and making money for the shareholders. In comparison to agency philosophy, the theory of stewardship focuses not on the viewpoint of individualism (Donaldson & Davis, 1991), but rather on the role of top management being as stewards, incorporating their priorities as part of the enterprise. The stewardship view indicates that stewards are filed and inspired as corporate success is accomplished.

2.3.3 Stakeholder theory

Stakeholder theory was introduced into the management discipline in 1970 and eventually expanded by Freeman (1984) to introduce organizational responsibility into a broader variety of stakeholders. Wheeler *et al*, (2002) argued that stakeholder theory was developed from a mixture of the sociological and organizational sciences. Indeed, stakeholder theory is less of a formal coherent theory and more of a large empirical tradition, covering philosophy, ethics, political theory, economics, law and organizational science. Stakeholder theory can be portrayed as "any community or individual that will or may be affected by the accomplishment of the destinations of the organization".

2.4 Empirical review

Azam *et al* (2011) the impact of corporate governance on Firms' performance in the oil and gas sector in Pakistan. For the period from 2005 to 2010, a survey of 14 oil and gas sector companies.Using, canonical regression analysis to evaluate the impact of corporate governance on firm's performance The findings report indicates that corporate governance has significant and beneficial impact on firm's performance and it shows that firm's performance can be improved by enhancing the corporate governance system. Dr. Waseem (2011), The Effect of Corporate Governance on the Performance of Jordanian Industrial Companies: An empirical study on Amman Stock Exchange.The study population consists of (96) Jordanian industrial firms' governance of the Jordanian firms listed at Amman Stock Exchange (ASE),44 Firms were chosen randomly to be included in the study.

The analysis showed that there's a coordinate positive affiliation between productivity -calculate d by Earnings per share (EPS) or Return on assets (ROA)- and corporate governance, moreover a positive relationship between each of liquidity, dividend per share, and the estimate of the business with corporate governance, at last the analysis found a positive relationship between corporate governance and corporate performance.

Ademola *et al* (2016), corporate governance and financial Performance of selected manufacturing Companies in Nigeria.Random sampling was used to pick 30 companies out of the total population of 45 manufacturing companies listed on the Nigerian Stock Exchange for the period of 2010 to 2014.Multiple regression analysis and descriptive statistics were used to evaluate the data. F-stat and t-stat have been used to examine the theory. The findings of the analysis showed that Board structure record had a strong positive relationship to performance (ROA) of the examined manufacturing firms. It was also watched that Audit committee list had a great but marginal relationship with the execution (ROA) of the examined manufacturing firms, whereas Ownership structure list had an insignificant negative relationship with performance (ROA) of the examined manufacturing firms. It is therefore proposed that reform efforts should be geared towards enhancing the corporate governance of listed Nigerian manufacturing Firms, with specific focus on the variables of Ownership Structure and Audit Committee.

omokhudu1 *et al*(2016) founded a study that explores the impact of corporate governance on performance of manufacturing firms' in Nigeria by the audited the firms' annual financial statement from 2014 to 2018 and employed a cross sectional data from a sample of thirty (30) manufacturing firms drawn from the quoted manufacturing firms in Nigeria. Descriptive statistics, correlation and White Heteroskedasticity regression analysis have been used for analytical research. The empirical studies have shown that Chief Executive Officer Shareholding has a favourable and a important effect on corporate performance at 5% level of importance. The shareholding of directors has a negative and a significant effect on corporate success at 1% level of importance. Board size has a positive and a significant effect on corporate at 1% level of importance. Board gender has a negative and an marginal effect on corporate success at more than 10% level of importance.

James(2017),Corporate governance and performance of quoted firms in Nigeria. The survey population is composed of all the manufactured goods industry in Nigeria, of which 17 are sample size consumer goods firms , the research was performed between (2007-2016). Data processing was carried out using the pooled ordinary lease square, as well as fixed effects and random effects estimators. The results showed that both the size of the board and board composition have a favourable relationship with return on asset(ROA).the study suggests that the company raise its board not beyond fifteen in line with partial derivatives taken and settled for the optimal values. In addition, businesses can increase external directors on their board of directors with capacity to increase economic value and enhance accountability.

Osaretin, Korolo & Emmanuel(2017)Effect of Corporate Governance on Financial Performance of Quoted Oil and Gas in Nigeria, a sample of twelve (12) out of the fourteen (14) quoted companies in the oil and gas sector were used, the study used the published annual reports spanning the period 2008 to 2015. The Generalized Least Square (GLS) regression was employed to analyse the relationship existing between the variables. The study found that Board size, board gender diversity and corporate governance practices have significant positive impact on financial performance. Board constancy and corporate governance changes are ideal but not noteworthy whereas the Board's political association has negative relationship with financial performance listed oil and gas companies in Nigeria[redacted] In the light of the above findings, it is recommended that companies should ensure that boards are effective in discharging their roles in monitoring the activities of management and that attention should not be on frequency of meetings of the Board of directors due to its negative impact on financial performance. Furthermore, firms should endeavour to have in their boards, females with key competencies that can boost the effectiveness of the collective board and there should be a cap on the number of politically-affiliated people on the board.

Ullah *et al*(2017)the impact of corporate governance on financial Performance of Pakistan's cement manufacturing firms.For accomplishment of research objective, Twenty cement industry firms listed on the PSX, Pakistan, representing 83% of the cement industry as a whole,were used from 2005 to 2014 to achieve the study objective. Hypotheses have been tested using a correlation and regression analysis. The findings suggest that corporate governance has a favourable effect financial performance,this analysis not only adds to understanding the impact and relationship between corporate governance and financial performance,it also shows the implications of earlier empirical work that has demonstrated a substantial impact and relationship between corporate governance and financial performance.

Bako(2018) the impact of corporate governance on the quality of financial reporting in the Nigerian Chemical and paint Industry. The overall number of listed firms on the Nigeria Stock Exchange as of December 2013 is taken as population, with a selection of four (4) companies chosen over a period of five (5) years (i.e. 2009-2013). The data were obtained by secondary source from the annual reports and accounts of the selected companies and the data were analyzed using correlation and regression. The results were that both Board size and Board Independence had an insignificant impact on the level of financial reporting in the Nigerian Chemical and paint Industry. It was also concluded that the role of non-executive directors in the audit committee of companies in the Nigerian Chemical and paint Industry have a negative impact on standard of financial reporting.

Olayiwola(2018) ,the effect of corporate governance on financial performance of listed companies in Nigeria. Ten (10) listed firms were selected by means of a purposive sampling technique and data extracted from the annual reports of these firms from year 2010 to 2016. A panel data regression was used to analyse the data. Findings showed that board size had a considerable negative relationship with NPM, board composition had a positive relationship with NPM, audit committee measure had an negative relationship with NPM and board measure, board composition and audit committee measure had a large joint impact on NPM. As a result, the report concluded the reduced board size would improve efficiency and structure of the board should consist of more non-executive directors,although the audit committee should still be checked from time to time.

Ibrahim & Abdullahi(2019),Corporate Governance and Financial Performance of Listed Non-financial Companies in Nigeria. The research used *ex-posto* factor research design and obtained secondary data collected from the annual report and accounts of twenty three (23) sampled listed non-financial firms for a period of 10 years (2008-2017). The data were analyzed using descriptive statistics, correlation and regression analysis (GLS Fixed Effect) with the aid of Stata 14.0. Robustness tests, including multicollinearity, heteroscedasticity, normality of residuals, Hausman definition and F-Test were performed to verify the findings. The results of the analysis found that CG has positive and negative effect on financial performance. The study concludes that financial performance of businesses can be favorably impacted by CG, i.e. better-ruled firms have higher financial performance than poor-ruled firms. The study therefore advises that, with respect to the decisions on the composition of the board and the proportion of NED, SEC should emphasize the consistency, efficacy and productivity of the members not the number of the members on the board and they should include additional disclosure of financial or personal relations between directors (or the organizations for which they work) and the corporation or its Chief Executive Office (CEO).

Enilolobo *et a*l(2019),corporate governance and financial performance of firms: A comparative study of food and petroleum products industries in Nigeria.The study used secondary data for ten listed food and petroleum firms over a period of seven years(2011-2017).Panel regression analysis was used to evaluate the data.The result showed that corporate governance structure of board size has an significant negative impact on the financial performance of food and petroleum companies in Nigeria. The study therefore suggests that the number of board of directors should not be too many in order not to override its benefits; this means that the size for the safe and efficient operation of the company , as the greater size could lead to unsuccessful decisions and thus adversely affect efficiency negatively. Furthermore, the integrity of the board should be supported and strengthened at all stages in order to ensure better financial performance. In addition, the research should propose the board of directors should be diversified in terms of gender, competence and expertise.

CHAPTER THREE

3.0 Methodology

3.1 Introduction

This chapter describes how the study was carried out by showing for the research and data collection for the study. It includes the research design ,population of the study, sample size,sampling techniques and sources of data , method of data collection ,description of variables model analysis and model specification.

3.2 Research design

The research design for the study is a panel regression analytical technique that was used to observe all variables for the period. Panel data which is aimed at establishing the impact of one variable and another variable, covering 6years between 2014 and 2019.The study also employed descriptive statistics from first to fourth moments to describe the mean, variance, standard deviation, maximum, minimum, kurtosis and skewedness behavior of the sample data. Th study also evaluated the correlation matrix between the exploratory variables to avoid problems of multicollinearity.

3.3 Population of the study

The population for this study were the 10 listed companies under the Industrial Good Sector by The Stock Exchange of Nigerian . The data set of the 10 listed companies are as follows:

S/N	Company Name	Market Capitalisation (Naira) as at 31/12/19
1	**BERGER**	5,597,565,378.30
2	**BETAGLAS**	96,563,131,322.70
3	**CAP**	44,228,390,935.73
4	**CUTIX**	6,463,355,211.63
5	**MEYER**	732,869,297.96
6	**PORTPAINT**	4,881,723,529.50
7	**DANGCEM**	1,560,902,342,566.50
8	**BUACEMENT**	2,980,582,151,946.30
9	**PREMPAINTS**	3,190,072,713.62
10	**WAPCO**	488,873,402,334.35
	TOTAL	**=5192015005236.59**

Source: The Nigerian Stock Exchange

3.4 Sample size

Sample size of the research study shall be limited to 8 companies as stated below:

Berger Paints Plc, Beta Glass Co, CAP Plc, Cutix,Meyers Paints Plc, Portland Paints Plc, Dangote Cement ,Baucement, Premier Paints,Lafarge Africa(WAPCO). The sampling is based on their capitalization and the availability of financial statements for the period. The sampled companies constituted over 90% 0f the industry’s capitalization.

3.5 Sampling Technique

Purposive sampling technique was adopted to select 8 companies listed in the Industrial Good Sector having relied on the Nigerian Stock Exchange(NSE) classification and in line with best practice globally.

3.6 Sources of data

The source of data for this study is secondary obtained from the Financial Statements and Annual Reports f the sampled companies from Daily official list of the Nigeria stock exchange market. The period considered for this study is from 2014-2019 (six years).This study involves .time series and cross sectional data. The study dependent variable is Firm performance which is measured using the Return on asset (ROA). The independent variable for this study was corporate governance which had its delegates as board composition(BC), auditor independence(AI), board size(BZ), composition of audit committee(CAC) as its indicators.

3.7 Description of Variables

Variables	Abbreviation	Measurements
Board composition	BC	Non-executive directors / overall number of directors
Auditor's independence	AI	Auditor's name
Board independence	BI	Distribution of all directors on the board: independent, Executive, and Non-Executive

Audit committee composition	ACC	Number of audit committee members
Return on Asset	ROA	Net Profit After Tax/Total Assets
Firm size	FZ	Natural Log of Net Sales
Leverage	LE	Total Debts/Total Equity

3.8 Model analysis

Panel data regression analytical technique was used to observe all variables for the period.The essence of using this method is to use Mathematical equation to express the nature of the relationship that exists between variables. Regression analytical technique is used to capture the relationship between the following;

Board’s Composition and ROA

Auditor's Independence and ROA

Board Independence and ROA

Composition of Audit committee and ROA

3.9 Model specification

The model specification is as follows; using the Regression analytical technique

ROA= F(BCP, AID, BID,ACC)

$ROA_{IS}= \alpha 1+\beta 1\ BCP+\beta 2\ AID +\beta 3\ BID +\beta 4 ACC+ Et$

Where;

ROA- Return on asset

β1-β4- Slope of coefficient

Et- Error term

BCP- Board’s Composition

AID- Auditor's Independence

BID- Board Independence

ACC- Audit committee Composition

CHAPTER FOUR

4.0 Data Presentation, Analysis And Interpretation

4.1 Introduction

This chapter shows the results from the data presented below and discusses the results from the data analysis done. The data analysis is based on the hypothesis stated in chapter one using multiple linear regression model to test the hypothesis that corporate governance has had an impact on the performance of Industrial goods sector in Nigeria and examine the relationship between the two variables. The tables presented below reflect the result from the secondary data gotten from the published annual reports of the selected industrial goods companies after data analysis using the model specification stated in chapter three. This chapter presents and interprets the empirical results for the specified model obtained using the SPSS version 23. Using a linear regression model, the relationship between the corporate governance and financial performance of eight (8) selected industrial goods companies has been analyzed for a 6-year period from 2014 to 2019. The correlation analysis is stated first, after which the multiple linear regression result was presented and discussed.

4.1.1Table 4.1; Showing dependent, independent and control variables

CORPORATE GOVERNANCE OF INDUSTRIAL GOODS SECTOR PERFORMANCE 2014-2019								
YEAR	COY	**ROA**	**BCP**	**AID**	**BID**	**ACM**	**Size**	**Leverage**
2014	Berger	4.09	1	1	1	1	21.85	47.98
2014	Betaglas	8.88	1	1	1	1	23.53	68.80
2014	BUA	12.16	1	0	0	1	23.44	67.06
2014	CAP	53.96	0	0	0	1	22.67	160.96
2014	Cutix		1	1	1	1	21.53	

		11.87						149.34
2014	Dangcem	19.33	1	1	0	1	26.64	50.88
2014	Meyer	(1.36)	1	1	1	1	21.02	318.72
2014	Wapco	8.25	1	1	1	1	25.39	24.20
2015	Berger	8.48	1	1	1	1	21.83	50.57
2015	Betaglas	7.33	1	0	1	1	23.49	54.57
2015	BUA	7.00	1	0	1	1	23.29	69.02
2015	CAP	51.02	0	1	0	1	22.68	124.28
2015	Cutix	7.58	0	0	0	1	21.58	164.73
2015	Dangcem	18.96	1	1	1	1	26.69	50.23
2015	Meyer	0.96	0	0	0	1	20.89	20.05
2015	Wapco	7.78	1	1	1	1	25.46	26.00
2016	Berger	5.46	1	1	1	1	21.68	57.53
2016	Betaglas	11.45	1	1	1	1	23.67	54.52
2016	BUA	6.26	1	0	1	1	23.37	74.28
2016	CAP		0	1	1	1	22.64	

		32.62						115.28
2016	Cutix	10.07	0	0	0	1	21.77	117.38
2016	Dangcem	24.51	1	1	1	1	26.78	53.11
2016	Meyer	(11.47)	0	0	0	1	20.81	341.35
2016	Wapco	3.87	1	1	1	1	25.19	58.07
2017	Berger	5.71	1	1	1	1	21.85	63.24
2017	Betaglas	10.77	1	1	1	1	23.82	51.96
2017	BUA	13.08	0	0	1	1	23.70	70.63
2017	CAP	2.99	0	1	0	1	22.69	123.62
2017	Cutix	11.05	0	0	1	1	22.03	129.77
2017	Dangcem	15.80	1	1	1	1	27.04	62.57
2017	Meyer	(16.63)	1	0	1	1	20.82	431.33
2017	Wapco	(2.15)	1	1	1	1	25.90	132.72
2018	Berger	7.07	1	1	1	1	21.94	61.22
2018	Betaglas	10.97	1	1	1	1	23.99	55.53
2018	BUA		1	1	0	1	24.18	

		1.65						4.28
2018	CAP	32.15	0	1	1	1	22.77	124.68
2018	Cutix	15.52	0	0	1	1	22.34	118.29
2018	Dangcem	27.96	1	1	1	1	27.15	33.12
2018	Meyer	20.28	1	0	1	1	20.69	153.46
2018	Wapco	0.72	1	1	1	1	25.95	125.89
2019	Berger	8.86	0	1	1	1	22.00	64.85
2019	Betaglas	10.71	0	1	1	1	24.10	50.79
2019	BUA	12.88	0	1	1	1	25.89	2.94
2019	CAP	25.77	0	1	1	1	22.85	168.11
2019	Cutix	16.67	0	0	1	1	22.42	77.38
2019	Dangcem	10.99	1	1	1	1	27.52	42.25
2019	Meyer	(0.36)	0	0	1	1	20.82	479.13
2019	Wapco	4.54	1	1	1	1	25.96	89.08

Source: Individual company's annual reports

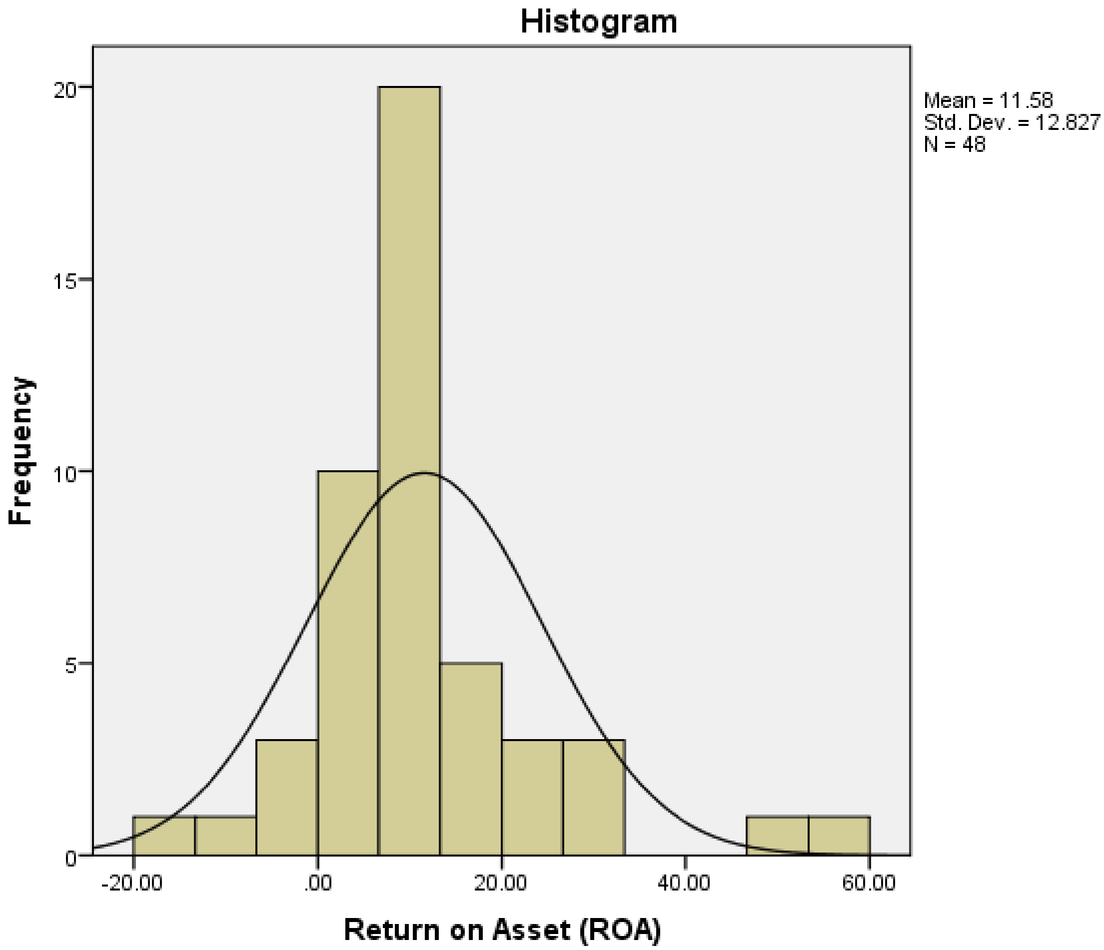
Table 4.1 above showed that all the variables of interest (dependent, independent and control variables) is seen above as derived from the annual financial statements of the individual industrial goods company's for the period of 6 years from 2014 to 2019.

4.1.2 Table 4.2:Descriptive Statistics on the Performance of the Industrial goods companies

Return on Asset (ROA)		
Mean		11.5796
Std. Deviation		12.82748
Skewness		1.253
Std. Error of Skewness		.343
Kurtosis		3.255
Std. Error of Kurtosis		.674
Minimum		-16.63
Maximum		53.96
Percentiles	25	4.7700
	50	9.4750
	75	15.7300

N=48

The table above presented descriptive statistics on the performance of the selected industrial goods companies in Nigeria over a span of 6 years from the 2014 to 2019. The performance is calculated using Return on Asset (ROA).with the mean ROA of 11.58, Standard Deviation of 12.83, skewness of 1.25, kurtosis of 3.26 , minimum value of -16.63, and maximum value of 53.96, all in millions.



The above chart showed the histogram presentation of ROA of the selected industrial goods companies over the period of 6years under study. The bell-shaped curve indicates the normality of the distribution, ranging from -16.63-53.96.

4.1.3 Table 4.3 Means and Standard Deviation of the Variables.

Descriptive Statistics		
	Mean	**Standard Deviation**
Return on Asset (ROA)	11.5796	12.82748
Board's Composition	0.63	0.489
Auditor's Independence	0.69	0.468
Board Independence	0.79	0.410
Audit committee Composition	1.00	.000
Size of the Company	23.4648	1.98655
Leverage	104.9115	99.23638

Table 4.3 above displayed means and standard deviations (SD) of all the variables of interest, of particular interest are the audit committee composition (ACM) with SD of ±0.00 which implies that the variables of interest are uniform for all the selected companies, and as such, any difference in performance can be attributed to the other variables or chance.

4.2 Correlation Analysis

The main emphasis of the correlation analysis of the research is the association of effects of corporate governance on the firm's financial performance of industrial good companies in Nigeria. The dependent variable is the financial performance of industrial goods companies measured by the return on asset (ROA), the independent variables are board composition (BCP), Auditors' Independence (AID), Board independent (BID), and Audit committee composition (ACM), while size of the companies and leverage serve as the control variables. The main objective of the study is to analyze the relationship between the dependent and independent variables, the correlations between the independent variables are not reported here. The correlation matrix for the explained and explanatory variables is presented in table 4.4

4.2.1 Table 4.4: Correlational Matrix

ROA		BCP	AID	BID	ACM	Size	Leverage
	Pearson' Correlate	-0.29	0.13	-0.13	---	-0.174	-0.26
	p-value	0.023	0.196	0.187	---	0.118	0.035
N=48							

The results in the table 4.4 above indicate that significant weak negative correlations exist between capital ROA and board composition (BCP) (r = -0.29; p = 0.023), weak non-significant positive correlation between AID and ROA (r=0.13, p=0.196), and weak non-significant negative correlation between BID and ROA (R==0.13, P=0.187), while ACM could not be correlated because of the uniformity of its variables. Meanwhile, both control variables have weak negative correlations with leverage being significant (p=0.035).

4.2.2 Table 4.5 Regression Matrix

Variables			**Dependent Variable: Return on Asset (ROA)**				
	B	***BETA***	***Tolerance***	***VIF***	**t-value**	***p-value***	**Remark**
(CONSTANT)	**-5.387**				**2.177**	**0.035**	**Significant**
BCP	**-11.290**	**-0.431**	**0.764**	**1.308**	**-0.171**	**0.008**	**Significant**
AID	**2.930**	**0.107**	**0.695**	**1.438**	**-0.252**	**0.510**	**Insignificant**
BID	**-2.099**	**-0.67**	**0.822**	**1.216**	**0.083**	**0.653**	**Insignificant**
ACM	**--------**	**--------**	**------**	**-----**	**-------**		
SIZE	**1.1167**	**0.181**	**0.612**	**1.633**	**2.631**	**0.298**	**insignificant**

LEVERAGE	**-0.31**	**-0.241**	**0.701**	**1.427**	**1.358**	**0.140**	**Insignificant**
	Goodness of Fit of the Model						
	R^2 = 0.743	**Adjusted R^2 = .512**				**R=0.492**	
	F-Statistic = 102.881***	**DW Statistic = 1.878**					
	Average Tolerance = 0.719	**Average Variance Inflation Factor = 1.404**			**Standardized residual =3.128**		
	****p-value of t-value of coefficient and F-statistic < 0.05*** *****p-value of t-value of coefficient and F-statistic < 0.01***						

4.2.3 Table 4.5.1 Analysis of Variance (ANOVA)

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	1875.465	5	375.093	102.811	$.034^b$
Residual	5858.109	42	139.479		
Total	7733.574	47			
Dependent Variable: Return on Asset (ROA)					

As analysed in the tables above, a bi-variate regression was conducted to examine how corporate governance (independent variables, measured as BCP, AID, BID, and ACM) could predict level of financial performance (dependent variable, measured by ROA) of industrial good firms. The correlation was as reported above, while the regression analysis revealed significant constant value of p=0.035, t-value=2.177. ANOVA value indicated F-value=2.6881, p=0.034. Among the independent variable, only BCP was statistically significant, though ACM was automatically deleted because it contain homogeneous variable. However, none of the two control variables and size was statistically significant.

The overall performance of the model in table above is satisfactory, given the R^2 and adjusted R^2 values of 0.743 and 0.512 respectively. Thus, the average variations in the impact of the corporate governance on performance of industrial goods firms is significantly explained by the independent variables. Additionally, the similarly high adjusted R^2 indicates to the acceptable predictive value of the adopted model, because the error terms have little variance. This is additionally substantiated by the very high F-value of 102.811 significant at both the 0.05 level of significance. Durbin Watson statistic of 1.878 is close to 2, pointing to the nonexistence of auto-correlation. The average tolerance value is not less than 0.10 (0.719) and the average variance inflation factor is 1.404 which less than 2.5 indicating the absence of collinearity. Thus, the empirical results obtained are meaningful and not spurious regression results.

4.3 EMPIRICAL TESTING OF HYPOTHESES

The hypotheses formulated for this research are examined using the associate t-values and p-values of the estimated coefficient. Herein, the accompanying p-value (***p***) of the obtained t-value (***t***) value is compared to the 0.05 significance level for each variable which is the acceptable level for social sciences in statistics. Where ***p-value*** is lower than the 0.05 significance level, the null hypothesis is rejected while where ***p***-value is greater than 0.05 significance level, the null hypothesis is accepted.

$H_{01:}$ There is no significant relationship between The Board Composition and Firms` Performance in the Industrial goods sector in Nigeria.

4.3.1 Table 4.6; Board Composition and Firms' Performance

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	651.739	1	651.739	4.233	.045[b]
Residual	7081.834	46	153.953		
Total	7733.574	47			
a. Dependent Variable: Return on Asset (ROA)T=-2.058					

From table 4.6 above, the t-value and the associate p-value are -2.058 and 0.045 respectively. Given that 0.045 is less than the 0.05 significance level, the null hypothesis is rejected. Thus, the output indicate that Board composition (BCP) contribution to the ROA has a significant effect impact on the financial performance of the industrial goods companies in Nigeria.

$H_{02:}$ There is no significant relationship between Auditors' Independence and Firms` Financial Performance in the Industrial goods sector in Nigeria.

Table 4.7: Auditor's Independence and Firms' Performance

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	123.959	1	123.959	.749	.391[b]
Residual	7609.614	46	165.426		
Total	7733.574	47			
a. Dependent Variable: Return on Asset (ROA) T=0.866					

From the table 4.7 above, the t-value and the associate p-value are 0.866 and 0.391 respectively. Given that 0.391 is greater than the 0.05 significance level, the null hypothesis is not rejected.

Thus, the output indicate that the Auditors' independence (AID) contribution to the ROA has insignificant EFFECT on the financial performance of the industrial goods companies in Nigeria.

H_{03}: There is no significant relationship between The Board Independence and Firms` Financial Performance in the Industrial goods sector in Nigeria.

Table 4.8; Board Independence and Firms` Financial Performance

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	133.045	1	133.045	.805	.374
Residual	7600.529	46	165.229		
Total	7733.574	47			
Dependent Variable: Return on Asset (ROA) T=0.374					

From table above, the t-value and the associate p-value are 0.897 and 0.374 respectively. Given that 0.391 is greater than the 0.05 significance level, the null hypothesis is not rejected. Thus, the output indicate that the Auditors' independent (BID) contribution to the ROA has non-significant effect on the financial performance of the industrial goods companies in Nigeria.

H_{04}: There is no significant relationship between Audit committee composition and Firms` Financial Performance in the Industrial goods sector in Nigeria.

Warnings

For models with dependent variable Return on Asset (ROA), the following variables are constants or have missing correlations: Audit committee Composition. They will be deleted from the analysis. For models with dependent variable Return on Asset (ROA), fewer than 2 variables remain. Statistics cannot be computed.

4.4 DISCUSSION OF FINDINGS AND POLICY IMPLICATIONS

The crux of measuring the financial performance of a firm is to ensure that the performance is making appropriate use of its resources and making informed economic decisions which will in return yield profit for the Firm. Corporate governance has been identified as important in financial performance when appraising companies for investment. Investors who are offered excellent with extraordinary levels of disclosure in a transparent manner will possibly make open investment in companies which leads to greater efficiency in the financial sector. It is on this basis that the study set out to determine the effects of corporate governance on the financial performance of industrial goods companies listed in the Nigeria stock exchange. Eight (8) companies were purposely selected, six (6) years (2014-2019) data was generated through secondary source from the annual reports and accounts of the selected companies and analyzed using descriptive, correlation, and regression. The randomly selected companies are Berger, Betaglas, BUA, CAP, Cutix, Dangcem, Meyer, and Wapco.

Analysis and presentation of data was based on study's objectives, research questions and the formulated hypotheses. The dependent variable was the firm's financial performance which was measured by the Return on Equity (ROA). The independent variables are: board's composition (BCP), auditor' independent (AID), board independent (BID, and audit composition (ACM), while size and leverage serve as control variables. The descriptive statistics showed that ROA ranges from -16.63million (minimum) to 53.96million (maximum) values, mean value of ROA was 11.5796 ±12.828, skewness (1.52530, Kurtosis (3.255). Meyer posted net loss four out of the 6years under study ACM and CMC was the same for all the selected companies throughout the year of review, this might be a pointer to the fact that consumer goods firms in Nigeria have adopted similar corporate governance especially in the aspect of composition of audit committee (ACM) and CEO responsibility (CMC).

Correlation of dependent variable against the independent and control variables showed a weak negative relationship between firm performance and BCP ($r=-0.29$, $p=0.023$) which is in line with the findings of Olayiwola (2018), James (2017), and Enilolobo (2019) who both found significant negative relationship between board composition and firm financial performance. The analysis also revealed insignificant weak positive relationship between AID and financial performance of the industrial good companies which is at variance to the findings of Azam *et al.*, (2011) who reported direct relationship between the variables. BID was shown to have weak direct non-significant relationship with ROA which is in agreement with the finding of Osundara *et. al.*, (2016). Conversely, the two control variables (size and leverage) have weak correlations with firm financial performance measured by the return on asset (ROA).

Test of hypotheses showed significant relationship between board composition and firm performance which is in agreement with the findings of James (2017). This might be due to the fact that having higher number of people from different background will lead to more informed decision making though it can also lead to slower process. Further test of hypotheses showed non-significant relationship between AID and BID, and financial performance of the industrial goods firms.

CHAPTER 5

5.0 Summary, Conclusion and Recommendations

5.1 Summary

The main objective of this study is to evaluate the effect of corporate governance on the Industrial goods sector performance in Nigeria. Purposive sampling technique was utilised in selecting eight (8) industrial goods companies listed in the Nigeria Stock Exchange (NSE), with heavy reliance on the Nigerian Stock Exchange classification in line with best practice globally. The study utilised panel regression analytical technique to establish effect of corporate governance on the financial performance of the listed 8 industrial goods companies in Nigeria over the period of 6years (between 2014 and 2019). The purposively selected companies are Berger, Betaglas, BUA, CAP, Cutix, Dangcem, Meyer, and Wapco. The use of descriptive statistics to describe the mean, variance, standard deviation, maximum, minimum, kurtosis and skewedness behavior of the sample data, and evaluation of the correlation matrix between the exploratory variables to mitigate problems of multicollinearity.

I. The study discovered significant positive correlation (r=0.743, p=0.034) between corporate governance and the financial performance of the industrial goods companies. Other findings of the study can be itemized below;

II. ROA ranges from -16.63million (minimum) to 53.96million (maximum) values, mean value of ROA was 11.5796 ±12.828, skewness (1.52530, Kurtosis (3.255).

III. ACC was the same for all the selected companies throughout the year of review, this might be a pointer to the fact that Industrial goods firms in Nigeria have adopted similar corporate governance especially in the aspect of audit committee composition (ACC).

IV. Weak negative significant relationship between firm performance and BCP (r=-0.29, p=0.045).

V. Weak positive insignificant relationship between AID and financial performance (r=0.127, p=0.194).

VI. Test of hypotheses showed significant relationship between board composition and firm performance.

VII. Further test of hypotheses showed non-significant relationship between AID and BID, and financial performance of the industrial goods firms.

5.2 Conclusion

This study probed the effect of corporate governance on the Industrial goods sector performance in Nigeria over a period of six (6) years spanning 2014 – 2019 using the panel regression approach for the explanatory variables. The relationship of corporate governance index (Board Composition, Audit Independence, Board Independence, and Audit Committee Composition) and industrial goods firms' performance as measured by ROA differs. This study concludes that the different indices of corporate governance has variant effect on performance. This means that, the study found mixed relationship between the variables.

An effective corporate governance will produce commanding benefits in both visible and invisible ways. People who are saddled with responsibilities being board members or auditors should be given free and effective hands to operate. Effective corporate governance means it be based on meritocracy and allowed to function independently. It is obvious that corporate governance will not become a success unless given free hands to operate and square pegs are put in square holes. The presence of independent directors and non-executive directors on the Board composition of firms is will enhance their independence and impact positively on firms' performance.

This study concludes that, if boards and audit committee are effectively composed and allow to function independently they will become potent tools to enhance organization performance.

5.3 Recommendations

On the basis of the findings and conclusions drawn from this study, the following recommendations are made:

- ❖ Shareholders should create a balance between the structures of ownership, institutional shareholders, controlling power with controlling shareholders.

- ❖ Regulators and Board of Firms re-examine the attributes of Audit committee with a view to strengthen and raise the bar especially on qualifications, independence experience and industry knowledge of committee membership.

- ❖ The position of the chairman should be well specified detailing the qualifications and experience of the person to occupy the position.
- ❖ Each firm should formulate law specifying the minimum number of times the board members are to meet in a year. Meeting regularly guarantees that essential issues are considers ahead of time.

5.4 Areas of Further Studies

This research has added to the body knowledge by taking the conceptual work of previous studies on the relationship between corporate governance indices and firms' performance as measured with ROA. Furthermore, the study also focus on the impact of different corporate governance variables to form the indices rather than just utilizing specific variables of corporate governance measured against performance variable.

The study therefore recommend based on its findings that more studies be carried out in the specific area of internal audit composition and independence and organization performance. As it seems there is a hidden treasure, yet untapped in this area.

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APPENDIX I

RATING OF BOARD'S COMPOSITION OF THE SAMPLED COMPANIES

	2014	**2015**	**2016**	**2017**	**2018**	**2019**
BERGER	1	1	1	1	1	0
BETAGLASS	1	1	1	1	1	0
BUA	1	1	1	0	1	0
CAP PLC	0	0	0	0	0	0
CUTIX	0	0	0	0	0	0
DANGCEMENT	1	1	1	1	1	1
MEYER	1	0	0	1	0	0
WAPCO	1	1	1	1	1	1

SOURCE: Generated by researcher from the annual reports and accounts of the sample firms.

APPENDIX II

RATING OF AUDITOR'S INDEPENDENCE OF THE SAMPLED COMPANIES

	2014	2015	2016	2017	2018	2019
BERGER	1	1	1	1	1	1
BETAGLASS	1	1	1	1	1	1
BUA	0	0	0	0	0	1
CAP PLC	1	1	1	1	1	1
CUTIX	0	0	0	0	0	0
DANGCEMENT	1	1	1	1	1	1
MEYER	1	0	0	0	0	1
WAPCO	1	1	1	1	1	1

SOURCE: Generated by researcher from the annual reports and accounts of the sample firms.

APPENDIX III

RATING OF BOARD INDEPENDENCE OF THE SAMPLED COMPANIES

	2014	**2015**	**2016**	**2017**	**2018**	**2019**
BERGER	1	1	1	1	0	1
BETAGLASS	1	1	1	1	1	1
BUA	0	1	1	1	0	1
CAP PLC	0	0	1	1	1	1
CUTIX	0	0	0	1	1	1
DANGCEMENT	1	1	1	1	1	1
MEYER	0	0	1	1	1	1
WAPCO	1	1	1	1	1	1

SOURCE: Generated by researcher from the annual reports and accounts of the sample firms.

APPENDIX IV

RATING OFAUDIT COMMITTEE COMPOSITION OF THE SAMPLED COMPANIES

	2014	**2015**	**2016**	**2017**	**2018**	**2019**
BERGER	1	1	1	1	1	1
BETAGLASS	1	1	1	1	1	1
BUA	1	1	1	1	1	1
CAP PLC	1	1	1	1	1	1
CUTIX	1	1	1	1	1	1
DANGCEMENT	1	1	1	1	1	1
MEYER	1	1	1	1	1	1
WAPCO	1	1	1	1	1	1

SOURCE: Generated by researcher from the annual reports and accounts of the sample firms.

APPENDIX V

TOTAL LEVERAGE FOR THE SAMPLED COMPANIES

	2014	2015	2016	2017	2018	2019
BERGER	47.98	50.57	57.53	63.24	61.22	64.85
BETAGLASS	68.80	54.57	54.52	51.96	55.53	50.79
BUA	67.06	69.02	74.28	70.63	4.28	2.94
CAP PLC	160.96	124.28	115.28	123.62	124.68	168.11
CUTIX	149.34	164.73	117.38	129.77	118.29	77.38
DANGCEMENT	50.88	50.23	53.11	62.57	33.12	42.25
MEYER	318.72	20.05	341.35	431.33	153.46	479.13
WAPCO	24.20	26.00	58.07	132.72	125.89	89.08

SOURCE: Generated by researcher from the annual reports and accounts of the sample firms.

APPENDIX V

TOTAL FIRM SIZE FOR THE SAMPLED COMPANIES

	2014	2015	2016	2017	2018	2019
BERGER	21.85	21.83	21.68	21.85	21.94	22.00
BETAGLASS	23.53	23.49	23.67	23.82	23.99	24.10
BUA	23.44	23.29	23.37	23.70	24.18	25.89
CAP PLC	22.67	22.68	22.64	22.69	22.77	22.85
CUTIX	21.53	21.58	21.77	22.03	22.34	22.42
DANGCEMENT	26.64	26.69	26.78	27.04	ss27.15	27.52
MEYER	21.02	20.89	20.81	20.82	20.69	20.82
WAPCO	25.39	25.46	25.19	25.90	25.95	25.96

SOURCE: Generated by researcher from the annual reports and accounts of the sample firms.