

Effect of Corporate Governance on Organizational Performance: A Study of Listed Manufacturing Companies in Nigeria

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Abstract

This study examined the effect of corporate governance on the performance of listed manufacturing companies in Nigeria with reference to board size and audit committee independence. The study covered the influence of board size and audit committee independence on performance variables such as net profit after-tax and return on capital employed. The secondary source of data collection was adopted which includes the use of data collated from listed manufacturing companies through the Nigerian Exchange Group (NGX) Fact Book (2023). Data collated was analyzed using the descriptive statistics and correlation matrix with the aid of STATA version 15. The results revealed that board size and audit committee independence has a significant positive impact on return on capital employed (ROCE) and net profit after-tax (NPAT). The study therefore recommended that manufacturing companies listed on stock exchanges should ensure their audit committees consist of independent directors with appropriate experience and knowledge in risk management, financial reporting, and auditing.

Keywords

Audit Committee, Board Size, Corporate Governance, Net Profit After Tax, Return of Capital Employed

1. Introduction

The lack of full compliance in corporate governance has arisen due to the increasing number of prominent corporate failures in recent times. These failures are often linked to deficient corporate governance practices within organizations that aim to create economic value. Implementing these best practices enhances

managerial effectiveness, boosts investor confidence, and helps prevent situations that could diminish shareholder value, as well as reduce waste and inefficiency (Geraldine, Sunday, & John, 2017). The significant corporate losses and collapses experienced during the global financial crisis that began in 2008 underscore the importance of robust corporate governance in sustaining a healthy business environment and safeguarding stakeholders' interests. Given the profound impact of recent global corporate failures, there is a pressing need to prioritize the improvement of corporate governance practices to protect shareholders' interests, enhance national economic conditions, and reduce unemployment and crime rates.

The Organization for Economic Cooperation and Development (OECD) (2004) emphasizes that fairness, transparency, integrity, and managerial accountability are fundamental aspects of effective corporate governance. Unfortunately, corporate governance has often been criticized for becoming detached from its intended stakeholders, the company's owners and shareholders, and has distanced itself from other important stakeholders, such as consumers, employees, government, and local communities, all of whom have a vested interest in the company's operations. Therefore, the concept of "corporate governance" will inevitably receive significant attention going forward. The separation of ownership from control, a characteristic of capitalism, highlights the critical issue of corporate control within the corporate governance framework. Historically, the power vacuum between owners and managers has been exploited by management for corporate takeovers.

Corporate governance encompasses a system of controls, procedures, policies, guidelines, and practices established by a company's board and management to ensure smooth business operations, optimize shareholder value, and serve the interests of all stakeholders. According to Owolabi and Dada (2011), corporate governance comprises procedures, norms, laws, and regulations that influence how a corporation is managed. Recognizing corporate governance as a non-financial factor impacting a company's success, previous studies have advocated for increased disclosure of non-financial information in organizational reports, whether they are publicly listed or not. Narayanan, Pincus, Kelm, and Lander (2000) argue that prudent managers should reduce information asymmetry by encouraging voluntary disclosure, especially of non-financial (corporate governance) information.

In this study, corporate governance mechanisms of a particular interest are board size and audit committee independence and their relationship with the financial performance of the manufacturing firms who are listed on the Nigerian stock exchange. Two dependent variables, namely; net profit after taxes and return on capital employed constitute the measures of the firm's financial performance. The choice of these independent and dependent variables is due to the fact that the size and constitution of the board of directors as well as the efficiency of audit committee are elements of good corporate governance that can

have profound effect on a company's performance. Board size has been implicated with decision making and with monitoring while audit committee independence is very vital in the corporate world so as to determine the independence of the financial reports and internal control.

In addition, the Nigerian manufacturing sector has had its share of failed corporates and corporate governance issues incidents which included institutions like Dunlop Nigeria Plc as well as Cadbury Nigeria Plc. These incidences have therefore called for research effort to establish how the corporate governance mechanisms affect the performance of the firms listed in the Nigerian stock exchange manufacturing sector. Thus, while filling this void, the study will offer empirical data that will be useful for policy purposes of enhancing manufacturing business governance standards in Nigeria. Global financial market and manufacturing industry has been highly threatened which hindered the economic growth because of the financial crisis and most unexpected corporate failures, losses, scandals and organizational destruction throughout the world. The present social crises in corporate governance practices have led to the demise of organizations of great importance including those from Nigeria. The problem has continuously seen extraordinary collapses and loss-making due to governance among the listed manufacturing firms forcing devastating system failures as well as scandals resulting from fraud and other unlawful conducts affecting the financial performance of most of the manufacturing firms.

A large part of this problem is blamed on the issue of size and composition of Boards of Directors. Pressed to increase board diversity, several proposals suggest that quotas should be set to have more women directors, and in order to reformulate boards, one must admit that directors' performance and their conduct may well reflect their background. A good number of these companies operate with all-male or family-related boards thus violating the [Nigerian Code of Corporate Governance 2018](#) and, therefore, are potential threats to the existence of corporate entities in Nigeria. Thus, the work of the audit committee crucially depends on the specialists in accounting and auditing being part of the committee, whereas the members of these committees are often friends and relatives with no professional background, which results in company failures. These issues, therefore, affects the performance of Nigerian manufacturing companies in a rather considerable manner. Therefore, this research has aimed at establishing the impacts of corporate governances on the performance of selected manufacturing companies in Nigeria bearing particular emphasis on the following important issues.

1.1. Objectives of the Study

The primary aim of this research is to investigate the influence of corporate governance on the performance of Nigerian listed firms. The specific objectives of the study are as follows:

- 1) To assess the effect of board size on the net profit after taxes of listed man-

ufacturing companies in Nigeria.

2) To analyze the impact of audit committee independence on the return on capital employed by listed businesses in Nigeria.

1.2. Statement of the Hypotheses

The study tested the following null hypotheses:

Ho1: The size of the board does not have a significant impact on the net profit after tax of listed manufacturing companies in Nigeria.

Ho2: The independence of the audit committee does not have a significant impact on the return on capital employed by Nigerian listed businesses.

The study holds relevance for various stakeholders:

Investors: Members of the Nigerian Exchange Group (NGX) can gain insights into the corporate governance practices employed by listed industrial enterprises.

Government: Policymakers can utilize the findings to identify effective corporate governance practices and develop business-friendly policies that attract foreign investment.

Students and Researchers: This study can serve as a valuable reference for students and researchers conducting related research. The data and findings contribute to theoretical discussions on corporate governance and performance of Nigerian quoted companies, providing evidence of the effect of corporate governance on the profitability of listed manufacturing firms within the Nigerian Exchange Group (NGX).

2. Literature Review

2.1. Conceptual Review

2.1.1. Concept of Corporate Governance

Corporate governance, as defined by the Organization for Economic Cooperation and Development (OECD, 2004), encompasses the framework that governs the management and direction of commercial businesses. This structure establishes rules and processes for decision-making in corporate affairs, delineates the rights and responsibilities of key participants such as shareholders, managers, the board, and other stakeholders, and provides the framework for setting organizational goals, defining methods to achieve them, and monitoring performance.

According to Ammar, Saeed, and Abid (2013), corporate governance is a process used by management to take appropriate actions that safeguard stakeholders' interests. It also serves as a framework for regulating relationships, systems, processes, and norms (Osundina *et al.*, 2016). Implementing corporate governance involves adhering to established norms, rules, and regulations, which in turn fosters stability and effective management. Good corporate governance enhances stakeholder confidence and improves a company's efficiency and value in the capital market rather than diminishing it.

Board Size

To enhance stronger corporate governance within the organization, board size should consider an appropriate blend of expertise and skill sets to avoid a biased composition of skills and experience. Board size refers to the total number of directors, including executive and non-executive members, and may vary depending on the country and culture (Zabri, Ahmad, & Wah, 2016). Consequently, there is no standard board size.

While some companies advocate for a larger board size to enhance decision-making quality, others prefer a smaller board size for more effective and efficient monitoring. Ahmed and Hamdan (2015) suggested that a board with 12 members would be beneficial, while Effiok, Effiong, and Usoro (2012) found that having 12 members was not statistically significant. Xavier, Shukla, Oduor, and Mbabazize (2015) recommended a board size of nine members, and Odiwo, Chukwuma, and Kifordu (2013) concluded that a larger board would lead to better performance.

Audit Committee Independence

The Board utilizes a committee system to carry out its functions, including standing committees such as the appointment and promotion committee, audit committee, finance committee, tenders board committee, and other specialized committees as prescribed by applicable laws. According to the Nigerian Companies and Allied Matters Act (CAMA) of 2022, the audit committee should consist of six members, with three representing shareholders and three representing management/directors.

Thuraisingam (2013) observed that the committee's membership varies between two and five directors but does not significantly impact performance. Osundina *et al.* (2016) similarly found a weak but favorable correlation. However, empirical research by Kajola (2008) suggested minimal correlation between audit committee performance and other factors, whereas Narwal and Jindal (2015) found that audit committee members had a negative impact on profitability.

Management, responsible for the company's day-to-day operations, is appointed by the Board of Directors (BOD). The management, including the Chief Executive Officer (CEO), acts as the BOD's "agent" and establishes operating procedures and guidelines, known as the operating manual, and internal control measures to organize the organization's daily activities. The CEO reports to the BOD on behalf of the management.

2.1.2. Concept of Organizational Performance

The term "performance" in corporate governance refers to the effectiveness of collaboration between a company's management team and board of directors in achieving organizational goals while considering the interests of various stakeholders. It encompasses risk management, operational efficiency, financial performance, and adherence to ethical principles. Corporate governance performance is crucial as it directly impacts the company's reputation, competitiveness, and ability to thrive in the market.

Financial performance, specifically a company's ability to generate profits, maintain liquidity, and achieve sustainable long-term growth, is a key aspect of corporate governance performance. Strong governance frameworks ensure accountability and transparency in financial reporting, enabling stakeholders and investors to assess the company's financial standing accurately. Operational performance is another critical component of corporate governance, focusing on the efficiency and effectiveness of business operations, resource allocation processes, strategic decision-making, and performance evaluation. Strong governance frameworks establish clear roles, responsibilities, and monitoring systems, contributing to improved operational performance in businesses (Alzahrani *et al.*, 2020). Enhanced operational performance allows companies to increase productivity, reduce costs, and enhance overall competitiveness.

Net Profit After Tax (NPAT) is a critical financial indicator that reflects a company's profitability after deducting all costs, including taxes. NPAT represents the portion of earnings available to shareholders after taxes are deducted from the company's pre-tax profit. It is a key metric used by analysts and investors to assess a company's profitability and capacity to generate returns. Research by Li *et al.* (2018) and Chen *et al.* (2019) underscores the significance of NPAT in evaluating business profitability and shareholder value creation.

Return on Capital Employed (ROCE) is another financial metric used to evaluate how efficiently a company generates profits from its capital investments. It measures the return on both debt and equity financing relative to the profitability of business activities. ROCE is an important indicator of a company's financial health and ability to generate returns for investors. Studies by Zhou *et al.* (2019) and Arif *et al.* (2018) emphasize the significance of ROCE in evaluating operational effectiveness and capital utilization, with higher ROCE suggesting superior profitability and capital consumption in comparison to industry peers.

In summary, corporate governance performance encompasses various aspects including financial performance, operational efficiency, risk management, and key financial metrics like NPAT and ROCE. Strong governance frameworks contribute to improved organizational performance, resilience, and sustainable growth, enhancing stakeholder confidence and value creation for shareholders.

2.2. Theoretical Review

This research is grounded in agency theory, which was elaborated by Jensen and Meckling (1976) following the pioneering work by Alchian and Demsetz (1972) in the corporate governance literature. Agency theory addresses issues that arise in agency relationships due to misaligned goals or differing levels of risk aversion. In the financial sector, a common agency relationship exists between a principal (shareholder) and multiple agents (business executives). This relationship often leads to conflicts identified as agency conflicts or conflicts of interest between principals and agents.

Agency theory explains the challenges that arise from differences in objectives

between the principal and the agent. Such situations can occur when owners lack knowledge of managers' actions or face constraints in accessing information. It is also possible that managers pursue personal objectives that may not align with shareholders' goals of achieving strong capital growth. According to [Okpolosa \(2018\)](#), a critical aspect is the extent to which managers of commercial organizations use management resources to reduce costs in the best interests of shareholders. Shareholders may also be concerned about hiring competent managers and ensuring that decisions are made with shareholder interests in mind. All these factors contribute to agency costs, which refer to the expenses incurred by owners to ensure that managers are motivated to maximize shareholder profit rather than pursuing personal gain.

2.3. Empirical Review

[Bui and Krajcsák's 2024](#) study explored the relationship between corporate governance (CG) and financial performance in publicly listed companies in Vietnam from 2019 to 2021. The research uses generalized system methods of moments to address dynamic endogeneity in CG research. Financial performance is measured using Tobin's Q, return on equity (ROE), and return on assets (ROA). The study found a positive correlation between transparency disclosure and financial performance and CG and company size. However, the COVID-19 pandemic caused a decrease in transparency and information index scores.

[Affes and Jarboui's 2023](#) study examined the impact of effective corporate governance on the financial performance of 160 UK companies between 2005 and 2018. Using multivariate regressions and FGLS models, they found that good corporate governance improved company returns on equity. This study is significant for future comparative studies on sectoral and temporal levels, allowing for comparisons before and after Brexit and COVID-19, and offers potential for future research on different UK sectors.

[Guluma's 2021](#) study examined the relationship between corporate governance (CG) measures and firm performance in a Chinese listed firm. The study used internal and external CG measures, including independent board, dual board leadership, ownership concentration, debt financing, and product market competition. The results showed that ownership concentration and product market competition positively influenced firm performance, while dual leadership negatively impacted performance. Managerial overconfidence negatively influenced board independence, dual leadership, and ownership concentration. However, overconfidence positively moderated debt financing's impact on firm performance. The study contributes to the theoretical perspective by examining how managerial behavior influences CG practices and firm performance in emerging markets.

[Anandasayanan and Velnampy \(2018\)](#) conducted a study on the corporate profitability and governance of listed diversified holding firms in Sri Lanka. The research aimed to investigate the effect of corporate governance on the profita-

bility of companies listed under the Diversified Holdings category on the Colombo Stock Exchange. Secondary data were utilized for the study, focusing on 17 out of 20 selected organizations based on data accessibility during the research period. Independent variables such as CEO duality, board size, and board composition were examined, with return on assets (ROA) serving as the profitability metric. Additional factors, including debt-to-equity ratio and company size, were considered as control variables. The study employed Panel Least Square regression analysis to test hypotheses and utilized descriptive statistics to outline key attributes of the research variables. The results indicated that while business size and debt-to-equity ratio had minimal impact on corporate profitability, corporate governance significantly influenced profitability. Notably, the study focused solely on return on assets and debt-to-equity ratio as performance variables, excluding consideration of additional performance characteristics influenced by corporate governance.

Herdjiono and Sari (2017) explored the effect of corporate governance on company performance using empirical data from Indonesia. The study aimed to examine how financial performance of manufacturing companies listed on the Indonesia Stock Exchange was affected by audit committee size, board size, institutional ownership, and management ownership. Linear regression analysis was applied to 156 Indonesian listed companies. Results showed that institutional ownership, management ownership, and audit committee size did not impact financial performance significantly, whereas board size had a positive effect. Simultaneous testing indicated that financial performance was influenced by audit committee size, institutional ownership, management ownership, and board size. The study focused on the manufacturing sector and internal corporate governance mechanisms within Indonesian enterprises, suggesting the use of corporate governance as an external predictive variable. The research contributes to understanding corporate governance and company performance in developing nations, emphasizing that managerial, institutional, and audit committee ownership do not necessarily enhance business performance. Notably, the study recommended an audit committee size equivalent to that of a board of directors for improved financial success, acknowledging the limitation of excluding performance variables beyond financial success.

Jaradat (2015) investigated capital structure and corporate governance procedures, specifically focusing on board size, gender diversity, outside director duality, and CEO duality. Findings indicated a strong correlation between leverage and board size, diversity in board culture, and outside directors, while no meaningful correlation was observed between leverage and CEO dualism. Firm size demonstrated a positive correlation with leverage, whereas managerial ownership, profitability, and return on assets showed significant negative correlations. The study primarily used leverage as a performance measure, omitting consideration of other variables.

Abdul (2012) explored the impact of capital structure choices on Pakistani

company performance. The study found that financial leverage significantly reduced company performance, as indicated by return on assets (ROA), gross margin (GM), and Tobin's Q. Although financial leverage and return on equity (ROE) displayed a negative relationship, it was not statistically significant. The study's selection of ROE, growth, and ROA as performance indicators provided a comprehensive assessment.

Vakilifard *et al.* (2011) analyzed the effect of corporate governance on capital structure in Iranian listed firms. Findings suggested that companies are more likely to use debt when CEO and chairman roles are separate, but no discernible connection was found between capital structure and the proportion of outside directors. The study focused solely on capital structure as the dependent variable, which may limit understanding of how corporate governance influences this variable.

2.4. Existing Gap

In the context of the existing literature on CG and on organizational performance, there are a number of issues that have emerged as crucial research questions but that are yet to be properly addressed if the field is to be enriched systematically. First, the use of secondary data in many of the conducted studies indicates that the methodological approaches are also primarily secondary. For instance, Anandasayanan & Velnampy (2018) conducted a quantitative study utilizing secondary data in which they explored the effect of corporate on profitability of companies in Sri Lanka; while Vakilifard *et al.* (2011) also employed quantitative research method to assess corporate governance's relationship with capital structure among firms in Iran. On the other hand, primary data can be more detailed but usually may cover a limited field compared to secondary data. Conducting primary data enables one to delve deeper into specific internal practices and employees' attitudes, which is a starting point for assessing the efficiency of corporate governance in real time and definite setting.

The number of indices of performance is restricted and their operational use in different research is even more limited. It was established that most studies like Bui and Krajcsák (2024) that have examined literature on the relationship between innovation capability and financial performance have relied on financial performance indicators such as Tobin's Q, ROE and ROA. For examples, Abdul (2012) employed ROA as one of the measures alongside with GM and Tobin's Q. The studies which were conducted by Anandasayanan and Velnampy (2018) incorporated only ROA and debt-to-equity ratio. However, the above-mentioned measures do not encompass other important achievement dimensions of efficiency, market performance, innovation, employees' satisfaction, and operations management. Consequently, it remains pertinent to reiterate that corporate governance has been conceptualized in its broadest sense here and that the variety of dimensions involved requires a much more complex approach to analysing the subject.

In many cases, the findings are not very generalizable due to the small geographic and sectoral scope of the existing research. For instance, [Herdjiono, and Sari \(2017\)](#) while carrying out their research on the manufacturing sector in Indonesia were able to provide conclusions that are majorly relevant to this type of sector in the Indonesian region only. Similarly, [Affes and Jarboui \(2023\)](#) while conducting their research on the overall UK firms they came up with recommendations mainly suitable for firms based in the United Kingdom. Future research should incorporate a broad range of industries and locations so that the findings will hold relevance for any firm across the globe and such research would contribute to the advancement of overall corporate governance practices.

3. Research Methodology

A quantitative research approach was selected for this study. The study utilized an ex-post-facto research design within the quantitative method, which relies on existing data as the study is secondary in nature and focuses on events that have already occurred. The population of the study consisted of nine (9) manufacturing firms listed on the Nigerian Exchange Group (NGX) (2023), representing sectors such as agriculture, conglomerates, consumer products, healthcare/pharmaceuticals, industrial goods, and natural resources. The included manufacturing companies were Nestle Nigeria Plc., PZ Cussons, Cadbury, Unilever, Lafarge, Berger Paints Plc., Pharma Decko, Glaxo Smith Kline (GSK), and Presco Plc.

Secondary data were collected for the study. Given its quantitative design, the study primarily utilized panel (cross-sectional and time series) secondary data sourced from various relevant publications. The secondary data were obtained from annual reports and accounts of the companies. Generalized Least Square Methods (GLS) were employed to estimate the panel data in this study, analyzing panel-cross sectional and time series secondary data. The aim of panel data analysis is to quantify fixed and random effects within the model and adjust for them. The analysis aimed to assess how manufacturing companies' capacity utilization from the previous year could return to equilibrium in the current year.

The model specification for this study was adapted from [Adekunle's \(2022\)](#) investigation on the effect of corporate governance on the financial performance of listed multinational companies in Nigeria. The adopted model was modified to incorporate new financial reform indicators before being applied to test hypotheses.

Dependent Variable

$Y = \text{Performance (P}_{ER})$ therefore, $P_{ER} = f(\text{NPAT, ROCE})$

Independent Variable

$X = \text{Corporate governance (CG)}$ $CG = f(\text{BS, ACI})$

The functional form of the econometric model is therefore given as:

$Y = f(X_1, X_2, X_3 \dots X_n)$

Net Profit After-Tax = $f(\text{BS, ACI})$;

Return on Capital Employed = f(BS, ACI)

Where, Y is Performance (P_{ER}) (Dependent variable)

X_1 to X_n are proxies of the independent variable or explanatory variables.

F = represents the functional notation.

The explicit forms of the models for the two hypotheses are stated thus:

$$ROCE_{it} = \alpha_0 + \alpha_1 BS_{it} + \alpha_2 ACI_{it} + U_t \quad (1)$$

$$NPAT_{it} = \alpha_0 + \alpha_1 BS_{it} + \alpha_2 ACI_{it} + U_t \quad (2)$$

where: BS = Board size; ACI = Audit Committee Independence; α_0 = Regression Constant, $\lambda_{1,2}$ = Coefficients of Explanatory Variables, U_t = Error Term.

4. Research Analysis and Findings

Descriptive Analysis

Results

Table 1. Corporate governance and Performance of Manufacturing companies in Nigeria.

	Dependent Variable	ROCE		NPAT	
		B	p-value	B	p-value
Independent Variable	BS	0.071	0.000	4.226	0.000
	ACI	0.131	0.000	22.936	0.000
	_cons	22.504	0.000	1308.532	0.000

Dependent variable: ROCE, NPAT. Note: show significance at 1%, 5% and 10% respectively. Source: Author's Computation, 2024 (STATA 15).

Table 1 presents the results of the Generalized Least Square Methods (LSM) used to estimate panel data. The table displays the outcomes of the Hausman test, which combined fixed and random effect models.

Based on the decision rule, the p-values of the Hausman test for the fixed and random effect models were found to be greater than the 0.05 (5%) level of significance, indicating the adoption of the random effect model.

Hypothesis One: The hypothesis tested whether board size (BS) has a significant impact on the performance metrics (Return on Capital Employed, Net Profit After-tax) of listed manufacturing companies in Nigeria. The analysis revealed a significant relationship between board size (BS) and performance indicators. The random effect model indicated that board size (BS) positively affects Return on Capital Employed (ROCE) and Net Profit After-tax (NPAT) with significant coefficient values of 0.071 and 4.226, respectively. The observed p-values of 0.000 for both ROCE and NPAT were less than the significance level of 0.05, leading to the rejection of the null hypothesis. Therefore, the study concludes that the performance of Nigerian listed manufacturing companies is significantly influenced by the board size (BS).

Hypothesis Two: The hypothesis examined whether audit committee inde-

pendence (AC) has a significant impact on performance metrics (Return on Capital Employed, Sales Volume, Net Profit After-tax) of listed companies in Nigeria. The analysis showed that audit committee independence (AC) positively affects Return on Capital Employed (ROCE) and Net Profit After-tax (NPAT) with significant coefficient values of 0.131 and 22.936, respectively, based on the random effect model. The observed p-values of 0.000 for both ROCE and NPAT were less than the significance level of 0.05, leading to the rejection of the null hypothesis. Thus, the study concludes that the independence of the audit committee significantly influences the performance of Nigerian listed manufacturing companies.

5. Conclusion and Recommendations

In conclusion, this study has provided valuable insights into the relationship between key aspects of corporate governance and financial performance metrics, particularly focusing on the impact of board size and audit committee independence on ROCE and NPAT. The findings are consistent with existing research, underscoring the importance of these governance structures in influencing business success.

The data indicates that a larger board is associated with higher ROCE and NPAT, suggesting that a diverse board composition may positively impact financial outcomes. Furthermore, the study identified a positive correlation between ROCE and NPAT and audit committee independence, highlighting the importance of objective oversight and rigorous financial examination in enhancing financial performance. These findings emphasize the critical role of robust corporate governance practices in achieving financial performance and shareholder value creation.

Based on these conclusions, the study offers the following recommendations:

Listed manufacturing companies should evaluate the size and composition of their boards to ensure a balance of efficiency, knowledge, and diversity. While larger boards may bring diverse viewpoints and expertise, companies should avoid excessive board size, which can lead to coordination issues and inefficient decision-making. Therefore, businesses should aim for a board size that facilitates effective communication, collaboration, and decision-making while ensuring members possess essential knowledge and expertise relevant to the manufacturing sector.

Manufacturing companies listed on stock exchanges should ensure their audit committees consist of independent directors with appropriate experience and knowledge in risk management, financial reporting, and auditing. By appointing independent members with diverse backgrounds, companies can promote impartiality and objectivity in audit committee discussions and decision-making processes.

Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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