# EFFECT OF CORPORATEGOVERNANCE ON FIRM PRODUCTIVITY OF MANUFACTURING FIRMS IN NIGERIA.

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**Abstract**
This study examinesthe impact of corporate governance on manufacturingfirms' productivity, with emphasis on financial performance. It placed special emphasis on important governance mechanisms like managerial ownership, board size, and board independence, using a quantitative approach that incorporates survey and secondary financial data from thirty-eight manufacturing firms listed on the Nigeria Exchange Group. The study used a cross-sectional research approach and applied agency and stewardship theories. From the thirty-eight (38) manufacturing firms listed in the Nigeria Exchange Group , ten (10) firms were selected as the sample size. Panel regression analysis was utilised to evaluate the correlations between the variables. Firm productivity, as determined by Return on Equity (RoA) and Return on Assets (RoA), was examined in relation to corporate governance practices, such as managerial ownership, board size, and board independence. The results show that, whereas RoE shows a different reaction, managerial ownership has a beneficial impact on RoA without statistical significance. Board independence similarly has a negative and negligible link with RoA, while board size has a positive but insignificant correlation with RoA and a negative, substantial relationship with RoE.However, when measured by RoE, board independence shows a positive orientation, suggesting that its governance role may be more visible in equity-based performance outcomes. Overall, the study concludes that governance mechanisms affect firm performance differently based on the performance metric used. Managerial ownership, board size, and board independence alone do not ensure performance in Nigerian manufacturing firms without effective board engagement, balanced ownership structure, and strong institutional support.

**Keywords:** Corporate governance, financial performance, manufacturing, nigerian firms, return on assets, return on equity.

## 1.0Introduction

Corporate governance is crucial for organizational sustainability and performance (Oshim & Igwe, 2024), providing a framework for rules and controls that ensure accountability, transparency, and sound managerial decisions while safeguarding stakeholder interests. Effective corporate governance boosts firm productivity, increases investor trust, and fosters sustained economic growth in developing nations like Nigeria.

Rapid economic growth and structural shifts in emerging markets present both opportunities and governance challenges for firms (Lawrence & Korolo, 2025). Effective corporate governance is crucial for enhancing firm productivity as it fosters accountability, transparency, and sound managerial decision-making, leading to improved operational efficiency, optimal resource allocation, and sustainable organizational performance.

The OECD (2023) highlights how crucial corporate governance is to strengthening capital markets and building robust economies, particularly in countries with emerging institutional

frameworks.Productivity can be defined as the efficient use of resources to generate output. The World Economic Forum and Accenture (2025) highlight productivity as an economy's ability to boost value creation through innovation and effective human capital use. However, McKinsey and Company (2021) notes that Nigerian firms perform well below global best practices and other Sub-Saharan African countries, indicating ongoing governance weaknesses that hinder transparency and managerial effectiveness.

Despite the implementation of reforms like the Nigerian Code of Corporate Governance, Nigeria's governance problems, such as a lack of board oversight, executive power concentration, and mismatched managerial incentives have continued to hinder the country's economic competitiveness and productivity.Some empirical research such as Uwuigbe et al., (2021); Ogbechie et al., (2021) offer conflicting conclusions, using accounting metrics to connect board independence to financial performance. More generally, some researchers find that good governance improves the performance of the firm (Guest, 2009; Flodberg and Nadjari, 2013; Cheung et al., 2014; Bansal and Sharma, 2016; Seemali, 2024; Omotola et al., 2024), while others find negligible correlations (Gupta et al., 2009; Fallatah & Dickins, 2012).

Given the inconsistencies observed in previous empirical studies, this research aims to investigate the impact of corporate governance mechanisms on the productivity of manufacturing firms in Nigeria, with particular focus on financial performance. The study seeks to bridge identified gaps in the literature by examining how managerial ownership, board size, and board independencecore corporate governance variablesaffect firm outcomes. The analysis covers the period from 2018 to 2024. Financial performance is evaluated using two established accounting measures: Return on Equity (ROE) and Return on Assets (ROA), which assess a firm's effectiveness in generating returns from shareholders' funds and its total asset base, respectively.

The primary objective of this study is to critically examine the effect of corporate governance mechanisms on the productivity of manufacturing firms in Nigeria, with particular emphasis on their financial performance. Specifically, the study aims to:

i. Examine the relationship between board independence and Nigerian manufacturing firms' financial performance;

ii. Analyze how board size affects the financial performance of Nigerian manufacturing firms; and

iii. Evaluate how management ownership affects the financial performance of Nigerian manufacturing firms.

In line with the above objectives the folloeing hypotheses are formulated:

$H_{01}$: The financial performance of Nigerian manufacturing firms is not statistically significantly impacted by board independence;
$H_{02}$: The financial performance of Nigerian industrial firms is not significantly impacted by board size;
$H_{03}$: The financial performance of Nigerian manufacturing firms is not substantially impacted by managerial ownership.

## 2.0 Literature Review

The ability of an organization to effectively convert inputs like labour, capital, and technology into commodities and services is referred to as firm productivity. It is frequently described in economic theory as the output to input ratio, which shows how well resources are used during the production process. (Organization for Economic Co-operation and Development, 2001). Productivity at the business level measures how well managerial and operational choices create value, whereas productivity growth at the macroeconomic level is essential for economic growth, competitiveness, and higher living standards. (Krugman, 1994).

Indicators based on the market and accounting can both be used to assess financial performance,profitability ratios that evaluate a firm's capacity to produce profits from its resources, such as Return on Equity (ROE), Return on Assets (ROA), and Net Profit Margin, are common accounting metrics (Organization for Economic Co-operation and Development, 2001). These metrics show overall financial health, cost control, and operational efficiency. Furthermore, market-based metrics like Tobin's Q, which was first presented by James Tobin in 1969, incorporate investors' expectations regarding future performance by comparing a firm's market value with the cost of replacing its assets. Economic value-added models and financial ratio analysis based on corporate finance theory may also be included in a broader evaluation of financial performance.

Efficiency-based approaches like frontier estimation techniques, which analyse how successfully firms convert financial resources into profits and whether they are operating below optimal capacity, can also be used in empirical research to analyse financial performance. Tobin's Q, revenue per employee, return on equity (ROE), return on assets (ROA), and other financial metrics are frequently used as stand-ins for productivity in corporate governance studies. Tobin's Q offers a forward-looking comparison between market value and asset replacement cost, ROE represents shareholder returns, and ROA gauges how efficiently assets generate profits.Although these indicators focus on financial outcomes, they are widely interpreted as signals of productive efficiency because effective resource utilization generally enhances financial performance. Owing to their accessibility and comparability across firms, financial measures are frequently preferred in empirical research (Akpan & Amran, 2022).

### Corporate Governance

In order to guarantee accountability, transparency, and equity in stakeholder relationships, organisations are guided and controlled by a system of rules, practices, and institutional structures known as corporate governance (Organisation for Economic Co-operation and Development, 2023; Tricker, 2021). It promotes long-term performance, safeguards stakeholder interests, and explains the allocation of duties among boards, management, and shareholders.

Governance frameworks around the world have changed in reaction to financial crises and corporate wrongdoing; they now affect ethics, strategic choices, risk management, and regulatory compliance in addition to authority distribution (Mallin, 2019). Because of institutional flaws, regulatory restrictions, and concentrated ownership structures, corporate governance is especially important in emerging nations like Nigeria (Ehikioya, 2009). In addition to revisions by the Securities and Exchange Commission and the Nigerian Exchange Group, the Financial Reporting Council of Nigeria produced the Nigerian Code of Corporate Governance with the goal of enhancing investor confidence and transparency. However, in Nigeria, corporate failures and inefficiencies have historically been linked to inadequate governance systems (Okike & Adegbite,

2022). As a result, increasing productivity, transparency, and global competitiveness still requires stronger governance.

Internal governance practices, in particular board independence and CEO caliber, have a favorable impact on financial performance metrics including net profit margin, ROA, and ROE, according to empirical data from a panel study of publicly traded Nigerian manufacturing companies (2014–2023). Findings consistently indicate that corporate governance procedures have a considerable impact on firm financial performance in Nigeria, despite variations in the direction and degree of impacts across governance variables and performance metrics.

## Measurement Of Corporate Governance Mechanisms

### Board Independence

The existence of directors who are not actively involved in day-to-day operations of a company and who have no significant links that could taint their objectivity is referred to as board independence. Independent directors are supposed to improve oversight, lessen agency conflicts, and match management's interests with shareholders', all of which are in line with agency theory. According to empirical data, companies with a larger percentage of non-executive directors frequently exhibit better governance and financial performance because independent directors improve supervision and lower agency costs (Shakir, 2008).

Increased board independence is supposed to improve financial results by encouraging better oversight, limiting executive opportunism, and supporting wise strategic choices. The balance between executive and non-executive members is essential for objective oversight, since a board is typically seen as more independent when it has a higher percentage of non-executive directors (John & Senbet, 2014). Additionally, independent directors offer outside knowledge, a range of viewpoints, and increased accountability, all of which can enhance the caliber of decisions. Nigerian evidence, however, is still conflicting. Akingunola et al. (2018) discovered a strong positive correlation between non-executive directors and return on assets (ROA) among listed manufacturing companies, and Enilolobo et al. (2019) also reported a positive impact of board independence on financial performance.

On the other hand, unfavorable or detrimental effects are reported in some research. De Jong et al. (2005) reported a significant negative relationship between board independence and firm financial performance, Franks et al. (2001) noted that non-executive directors dominated the boards of underperforming UK firms, and Agrawal and Knoeber (1996) found that outside directors significantly reduced firm value. According to Olowokure, Tanko, and Nyor (2022), there are worries that certain independent directors in Nigeria do not have the professional experience or independence to successfully question management choices.

### Board Size

The total number of directors in charge of overseeing operations and making strategic financial choices is referred to as the board size (Olayinka, 2018). The board is the company's top decision-making authority and central control mechanism (Herdjiono & Sari, 2017). On the ideal board size, however, experts cannot agree (Dabor, Isiavwe, Ajagbe, & Oke, 2015). Some contend that because smaller boards make decisions more quickly and have less administrative power, they are more efficient.

There is no established standard for board size because it often depends on a company's size and operational complexity. The Nigerian Code of Corporate Governance (pwcnigeria.typepad.com,

2018) recommends that boards be appropriately structured to effectively oversee business operations, while the Securities and Exchange Commission (sec.gov.ng, 2014) mandates that listed companies in Nigeria have a minimum of five directors. There is ongoing discussion over the efficacy of larger boards in performing monitoring responsibilities (Edwin & Victor, 2019). Oversized boards may have a harder time monitoring management and maintaining strategic focus (Lipton and Lorsch, 1992).

In Nigeria, empirical results are still inconsistent. According to studies by Urhoghide and Omolaye (2017) and Akinleye, Olarewaju, and Fajuyagbe (2019), there is a substantial inverse link between board size and ROA, indicating that larger boards could result in lower profitability. According to Sanda et al. (2018) and Uadiale (2010), smaller boards also encourage greater accountability, communication, and speedier decision-making, all of which improve performance. On the other hand, board size considerably enhances financial performance metrics like ROA, ROE, according to Osundina et al. (2016). Larger boards may improve performance by reflecting a variety of component interests, according to stakeholder theory.

**Managerial Ownership**

The ownership of shares in companies that managers and executives' control is known as managerial ownership, and it is a crucial corporate governance tool that can impact a company's financial performance. In corporate governance literature, management ownership is often examined using agency theory and stewardship theory. Agency theory states that disputes between managers and shareholders arise when managers do not own a significant piece of the business, which may lead to decisions that benefit management over owners. To better align these interests, reduce agency costs, and improve performance, it is recommended that managerial shares be raised.

CEO ownership, a specific kind of executive ownership, is positively and significantly correlated with the firm's financial performance, according to a recent study by Ahmad and Umar (2023). This implies that having a higher stock stake may motivate senior executives to boost profitability and shareholder value. However, after a while, higher management ownership may have entrenchment consequences, as managers gain too much power and put their personal interests ahead of shareholders' wealth.

According to Okafor, Ugochukwu, and Eze (2021), because of controlling shareholders and a lack of board independence, managerial ownership in Nigeria has little impact on company performance. Saidu and Gidado (2018) discovered that managerial ownership significantly and negatively affected the financial performance of manufacturing companies listed on the Nigerian Stock Exchange, as assessed by ROE and other proxies. According to the authors, high managerial ownership could enable managers to manipulate accounting data or prioritize their own interests, both of which would be harmful to the company's overall performance.

**Theoretical Framework**

In Nigeria, management ownership has little effect on business performance due to dominating shareholders and a lack of board independence, claim Okafor, Ugochukwu, and Eze (2021). According to ROE and other proxies, Saidu and Gidado (2018) found that management ownership has a large and unfavourable impact on the financial performance of industrial companies listed on the Nigerian Stock Exchange. The authors claim that strong managerial ownership could allow managers to prioritize their own interests or falsify accounting data, both of which would be detrimental to the overall performance of the business.

## Stewardship Theory

Stewardship theory emerged as a corporate governance concept in opposition to the widely accepted Agency Theory. This thesis, which is based on studies by Donaldson and Davis (1991; 1993) and Davis, Schoorman, and Donaldson (1997), maintains that managers should act as stewards of the company's assets and align their goals with those of shareholders. In contrast to agency theory, which maintains that managers (agents) are self-interested and must be monitored to make sure they align with shareholders (principals), stewardship theory contends that managers are naturally driven to act in the organization's and its owners' best interests.

This viewpoint holds that CEOs are stewards who prioritize the company's success over their own, seeing it as a mirror of their own professional and emotional happiness. Stewardship theory draws from the psychological, sociological, and human relations departments of management theory to emphasis trust, group accountability, and intrinsic motivation. According to stewardship theory in governance, boards should trust and empower managers to make strategic decisions and feel that their goals align with the company's long-term performance.

## 3.0 Methodology

The study uses a cross-sectional research design, which is a quantitative method appropriate for analyzing correlations between data collected from several units. It examines the relationship between corporate governance standards and company financial performance in manufacturing companies listed on the Nigerian Exchange Group (NGX) for the years 2018 to 2024. As of December 2024, thirty-eight (38) listed manufacturing firms make up the population, according to a recent assessment. Based on the availability of comprehensive annual reports for the study period and their continuous listing during these years, ten (10) manufacturing companies, Okumu Oil, Unilever, Guinness Nig plc, Nigerian Breweries, Dangote Cement, Honey flour, International Breweries, Dangote Sugar, Meyer plc, and UACN were chosen as a purposive sample from this population.Because only firms with adequate disclosure and quantifiable productivity measures were included, this sample strategy was deemed suitable.

In addition to information from the Nigerian Exchange Group Factbook and the annual reports of the chosen enterprises for the period under consideration, the study also uses secondary data from the financial statements and annual reports of the chosen firms. to examine how corporate governance and business performance are related. The Hausman test, Random Effects, and Fixed Effects were among the panel regression methods used. Pre-estimation methods were the first step in the phased data analysis, which also included diagnostic tests including the panel unit root test, multicollinearity, cross-section dependence test, VIF, and heteroskedasticity tests.

## Model Specification

The corporate governance firm performance model used in this study was modified from the agency theory works of Jensen and Meckling (1976). This model has been used extensively to investigate the connection between governance methods and firms outcomes.
The functional form of the model is specified as:

FP= *f(BIND, BSIZE, MOWN)……i*

FP= f(RoA , RoE)……..ii

Substituting ii into I, thus,

*ROA = f(BIND, BSIZE, MOWN)……iii*

$ROE = = f(BIND, BSIZE, MOWN)……iv$

The econometric form of the model is expressed as:

$ROA = \beta_0 + \beta_1 BIND + \beta_2 BSIZE + \beta_3 MOWN + \mu……v$

$ROE = \beta_0 + \beta_1 BIND + \beta_2 BSIZE + \beta_3 MOWN + \mu……vi$

Incorporating the cross-sectionality

$ROA_{it} = \beta_0 + \beta_1 BIND_{it} + \beta_2 BSIZE_{it} + \beta_3 MOWN_{it} + et……..vii$

$ROE_{it} = \beta_0 + \beta_1 BIND_{it} + \beta_2 BSIZE_{it} + \beta_3 MOWN_{it} + et……..viii$

Where:*ROA* = Return on Assets;*ROE*= Return on Equity*BIND*= Board Independence; *BSIZE*= Board Size; *MOWN*= Managerial Ownership and $\mu$= error ter

## 4.0 Results Presentation and Analysis

**Table 1:**

***Panel unit root test (ADF)***

| Variable | P-value | Order Of Integration | Decision |
|---|---|---|---|
| RoA | 0.0001 | 1(0) | Stationary |
| RoE | 0.0000 | 1(0) | Stationary |
| BSIZE | 0.0068 | 1(I) | Stationary |
| BIND | 0.0405 | 1(I) | Stationary |
| MOWN | 0.0002 | 1(I) | Stationary |

**Source**: Author's Computation, 2026.

According to Table 1's results, BIND, BSIZE, and MOWN were stationary at first difference, although RoA and RoE were stationary at origin. This indicates that the origin or initial difference is where all the variables converge.

**Table 2:**

***Multi-collinearity test (Matrix correlation)***

| | BIND | BSIZE | MOWN |
|---|---|---|---|
| **BIND** | 1 | | |
| **BSIZE** | 0.219740 | 1 | |
| **MOWN** | -0.187192 | -0.134649 | 1 |

**Source**: Author's Computation, 2026.

There are no suspected cases of multicollinearity issues among the variables in the empirical models of the study because none of the Pearson Correlation Coefficients (PCC) of the variables (BIND, BSIZE, and MOWN) surpassed 0.8 (Kyriazos & Poga, 2023).

**Table 3:**

***Panel Result Output (DV: RoA)***

| Variables | FE | RE |
|---|---|---|
| C | 0.0179(*0.015*) | 0.1013 (0.007) |

| | | |
|---|---|---|
| BIND | -0.017 (*0.515*) | -0.0308(0.557) |
| BSIZE | 0.106(*0.050*) | 0.0004 (0.054) |
| MOWN | 0.038(*0.610*) | 0.0329 (0.646) |
| Prob(f-stat) | 0.000 | 0.038 |
| D.w stat | 1.640 | 2.063304 |
| Hausman test | | 0.307 |
| Cross section included | 10 | 10 |
| No of Observation | 70 | 70 |
| R-squared | 0.71 | 0.73 |
| Adjusted R-squared | 0.65 | 0.66 |
| F-statistic | 11.5648 | 17.4725 |
| Prob(F-statistic) | 0.000 | 0.000 |

**Source**: Author's Computation, 2026.

According to Table 3's results, the random effect result was approved since the Hausman test value of 0.307 (30.7%) is higher than 5%, indicating that the random effect model is more suitable. According to the R-square result, BIND, BSIZE, and MOWN account for 73% of the variation in RoA. R-bar-square of 66% supported this. Additionally, given the Prob (F-statistic) of 0.0000 is less than 0.05, the results showed that at least one of the independent variables (BIND, BSIZE, and MOWN) significantly affects the RoA of manufacturing firms in Nigeria. The model does not exhibit serial autocorrelation, as indicated by the DW test score of 2.063304. Additionally, the RoA of manufacturing businesses in Nigeria will decrease by 0.0308, increase by 0.0004, and increase by 0.0329 units, respectively, with a unit increase in the number of BIND, BSIZE, and MOWN. These changes have no discernible effect on the RoA of manufacturing firms.

**Table 4a:**
***VIF and Heteroskedasticity tests for RoA Model***

| | **VIF** | **TV(1/ViF)** |
|---|---|---|
| BIND | 4.12 | 0.24 |
| BSIZE | 2.18 | 0.46 |
| MOWN | 4.62 | 0.22 |

| **Heteroskedasticity Test: White** | | | |
|---|---|---|---|
| F-statistic | 1.215196 | Prob. F(9,63) | 0.2543 |
| Obs*R-squared | 22.64045 | Prob. Chi-Square (9) | 0.2536 |
| Scaled explained SS | 73.40316 | Prob. Chi-Square (9) | 0.0000 |

**Source**: Author's Computation, 2026.

The VIF was used to verify the matrix correlation. According to the VIF finding, multicollinearity is absent if the value is 10 or less (Gujarati, 2004). Multicollinearity is absent since the values are fewer than 10. Additionally, the heteroskedasticity test for the RoA model is shown in table 4. The study supports the null hypothesis, which claims that there is no heteroskedasticity in the RoA model, based on the F-statistic, the Obs*R-Squared values of 1.2151996 and 22.64045, and the probability values of 0.2543 and 0.2536, all of which are greater than 0.05.

**Table 5:**
***Breusch-Pagan LM Cross-Section Dependence Test for RoA Model***

| Test | Statistic | d.f. | Prob. |
|---|---|---|---|
| **Breusch-Pagan LM** | 61.74877 | 45 | 0.4692 |

Source: Researcher's computation 2026

The analysis accepts the null hypothesis that there is no cross-sectional dependency in the panel data, indicating that error terms are independent across cross-sectional units, because the p-value of 46.92% is higher than 5%.

**Table 6:**
***Panel Result Output (DV: RoE)***

| Variables | FE | RE |
|---|---|---|
| **C** | 21.18001(0.3435) | 22.47526 (0.2737) |
| **BIND** | 0.079082 (0.7698) | 0.126727(0.6133) |
| **BSIZE** | -3.546475(0.0617) | -3.978493 (0.0249) |
| **MOWN** | -0.087809(0.7631) | -0.179986 (0.5033) |
| **Prob(f-stat)** | **0.001** | 0.013 |
| **D.w stat** | 1.9961 | 1.774364 |
| **Hausman test** | | 0.1369 |
| **Cross section included** | 10 | 10 |
| **No of Observation** | 70 | 70 |
| **R-squared** | 0.84 | 70 |
| **Adjusted R-squared** | 0.81 | 67 |
| **F-statistic** | 25.1042 | 71.3609 |
| **Prob(F-statistic)** | 0.000 | 0.000 |

**Source**: Author's Computation, 2026.

Based on the result of table 6, the random effect result was accepted because the Hausman test value of 0.1367(13.69%) is greater than 5%., which means that Random effect model is more appropriate. The result of R-square revealed that 70% variation in RoE are accounted by BIND, BSIZE and MOWN. And this was endorsed by R -bar square of 67%. Also, the result revealed that at least one of the independent variables (BIND, BSIZE and MOWN) significantly affect RoE of manufacturing firms in Nigeria because the Prob(F-statistic) of 0.0000 is less than 0.05. With DW test value of 1.774364 approximately 2, show the absence of serial autocorrelation in the model.

According to Table 6's results, the random effect result was approved since the Hausman test value of 0.1367 (13.69%) is higher than 5%, indicating that the random effect model is more suitable. According to the R-squared finding, BIND, BSIZE, and MOWN account for 70% of the variation in RoE. Additionally, the R-bar square of 67% supported this. Additionally, given the Prob(F-statistic) of 0.0000 is less than 0.05, the results showed that at least one of the independent variables (BIND, BSIZE, and MOWN) significantly affects the RoE of manufacturing enterprises in Nigeria. The model's lack of serial autocorrelation is demonstrated by the DW test value of 1.774364, which is roughly 2.

Additionally, a unit rise in BIND, BSIZE, and MOWN will raise, decrease, and increase the RoE of manufacturing businesses in Nigeria by 0.126727, 3.978493, and 0.179986 units, respectively. All of these factors, with the exception of BSIZE, have no discernible effect on the RoE of manufacturing firms.

**Table 7:**
***VIF and Heteroskedasticity tests for RoE Model***

| | VIF | TV(1/VIF) |
|---|---|---|
| BIND | 4.01 | 0.25 |
| BSIZE | 3.11 | 0.32 |
| MOWN | 4.21 | 0.24 |

| Heteroskedasticity Test: White | | | |
|---|---|---|---|
| F-statistic | 4.611164 | Prob. F(9,63) | 0.1503 |
| Obs*R-squared | 61.12142 | Prob. Chi-Square(19) | 0.1501 |
| Scaled explained SS | 174.5543 | Prob. Chi-Square (19) | 0.0000 |

The VIF was used to verify the matrix correlation. According to the VIF finding, multicollinearity is absent if the value is 10 or less (Gujarati, 2004). Multicollinearity is absent since the values are fewer than 10. The heteroskedasticity test for the RoE model is shown in Table 7. The analysis concludes that there is no heteroskedasticity in the RoE model, as supported by the F-statistic, the Obs*R-Squared values of 4.611164 and 61.12142, and the probability values of 0.1503 and 0.1501, all of which are greater than 0.05.

**Table 8:**
***Breusch-Pagan LM Cross-Section Dependence Test for RoE Model***

| Test | Statistic | d.f. | Prob. |
|---|---|---|---|
| **Breusch-Pagan LM** | 61.74877 | 45 | 0.7589 |

**Source**: Author's Computation, 2026.

The study accepts the null hypothesis that there is no cross-sectional dependency in panel data, implying that error terms are independent across cross-sectional units, since the p-value of 75.89% is greater than 5%.

**Table 9:**
***Hypotheses Testing***

| | | RoA | | RoE | |
|---|---|---|---|---|---|
| **s/n** | **Variable** | **p-value** | **Decision** | **p-value** | **Decision** |
| **1** | **BIND** | 0.557 | Non-significant | 0.6133 | Non-significant |
| **2** | **BSIZE** | 0.054 | Non-significant | 0.0249 | Significant |
| **3** | **MOWN** | 0.646 | Non-significant | 0.5033 | Non-significant |

**Source**: Author's Computation, 2026.

BIND, BSIZE, and MOWN have little effect on manufacturing firm performance when measured by RoA. Furthermore, under RoE, BSIZE has a considerable impact on the performance of manufacturing firms, although BIND and MOWN do not influence it.

**Discussion of Findings**

According to the study, managerial ownership improves business performance as determined by Return on Assets (RoA), albeit this effect is statistically negligible. The empirical results do not strongly support the expectation of Agency Theory, which holds that managerial shareholding lowers agency conflicts and aligns managers' interests with those of shareholders. Low ownership concentration or passive managerial involvement in Nigerian manufacturing enterprises could be the cause of the minimal impact. This finding is consistent with research by Saidu and Gidado (2018), which shows that the performance of Nigerian listed manufacturing firms is negatively impacted by management ownership, reflecting managers' limited capacity to enhance value as shareholders. The report of Abdullahi et al. (2022), which demonstrates that managerial ownership has no appreciable beneficial effect on financial performance in Nigerian manufacturing enterprises, lends more credence to the idea that managerial shares may be symbolic. The outcomes alter when Return on Equity (RoE) is used as the performance metric.

The findings suggest that having more directors does not always improve financial success, as there is a positive but negligible correlation between board size and RoA. Larger boards may offer access to resources and a range of experience, but they may also make collaboration and decision-making more difficult. Excessively broad boards are generally less successful in strategic control and monitoring, according to Lipton and Lorsch (1992). The RoE results, on the other hand, show a negative and significant association, corroborating the findings of Uadiale (2010) and Sanda et al. (2018) that smaller boards in Nigerian companies are typically more effective, allowing for stronger accountability, faster decision-making, and better communication. In general, without strong leadership and active participation, board size might not be the only factor influencing performance.

According to the regression results under RoA, board independence has a negative but statistically negligible impact on business performance, indicating that manufacturing firms' performances are not always improved by having a larger percentage of independent directors. Even while the RoE results seem to be more in line with Agency Theory's predictions, this calls into question the monitoring assumption. The negligible RoA result suggests that independent directors could not be carrying out their oversight responsibilities as well as they should, either as a result of a lack of experience or weakened autonomy. This supports the findings of Olowokure, Tanko, and Nyor (2022), who note that independent directors in many Nigerian companies frequently lack the independence or experience necessary to properly oversee management. Likewise, According to Ehikioya (2009), board independence by itself does not enhance company performance unless directors are capable and actively involved in governance procedures.

## 5.0 Conclusion and Recommendations

Based on the results, it is determined that whether RoE or RoA is used to gauge the performance of Nigerian manufacturing firms, corporate governance factors such management ownership and board independence do not significantly affect firm performance. However, board size is significant and negative when using RoE as a measure of firm performance, which is consistent with theoretical expectations but not significant when using RoA. This implies that corporate

governance practices as they are currently implemented in Nigeria could not be successfully boosting business performance. The report emphasizes the necessity of better governance frameworks that prioritize real supervision and responsibility in corporate management, in addition to compliance.

In light of the findings, the following recommendations are proposed:
i. To improve the credibility of financial reporting, regulatory agencies should guarantee that independent directors are genuinely independent and able to provide impartial monitoring.

ii. In order to improve business performance, companies should maintain an ideal board size that encourages efficient coordination and decision-making without duplication or inefficiency.

iii. Excessive ownership concentration should be avoided to avoid management entrenchment, even while managerial ownership aligns management interests with shareholders.

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