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Effect of Corporate Governance Mechanisms on Value Relevance of Financial Statements of Listed Consumer Goods Companies in Nigeria

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ABSTRACT

This study examining the effect of corporate governance mechanisms on value relevance of financial statements of listed consumer goods companies in Nigeria. The current study adopted a quantitative research approach with the ex-post facto research design in examining the effect of corporate governance mechanisms on value relevance of financial statements of listed consumer goods firms in Nigeria. The choice of the ex-post facto research design was due to the fact that this research made use of data extracted from secondary sources. The population of this study was made up of all the 21 consumer goods companies listed on the Nigerian Exchange Group (NGX) and purposive sampling technique was adopted to select 17 companies. The data used in this study were secondary data and they were obtained from the annual report of the sampled companies and the Nigeria Exchange group Fact book. Descriptive statistics, correlation analysis, and multiple linear Regression Analysis were employed in analyzing the data set. This study employed analytical software of STATA version 15.0. findings reveal that Board Size, Board Independence and Board Meeting have significant negative effect on the value relevance of financial statements for listed consumer goods companies in Nigeria. While, Firm Size has a significant positive effect on the value relevance of financial statements for listed consumer goods companies in Nigeria. However, Profitability has a positive but statistically insignificant effect on the value relevance of financial statements for listed consumer goods companies in Nigeria. In conclusion, the study finds that board size, board independence, and the frequency of board meetings significantly and negatively affect the value relevance of financial statements for listed consumer goods companies in Nigeria, while firm size has a significant positive impact and profitability shows an insignificant effect. It is recommended that these companies optimize their board size, carefully assess the independence of board members, and streamline the number of board meetings to enhance the relevance of their financial statements. Additionally, firms should leverage their size effectively and focus on strengthening other governance mechanisms to improve the informational value of their financial reporting.

Keywords: Board Size, Board Independence, Board Meetings, Firm Size, Profitability, and Value Relevance

1. Introduction

The corporate reporting system provides a distinct foundation for investigating the effect of corporate governance mechanisms on the value relevance of accounting information. In the context of listed consumer goods companies in Nigeria, corporate governance structures are considered relatively weak compared to those in countries like the US and the UK (Akpan & Nkanga, 2023; Olabisi et al., 2020). This inefficiency limits the ability of governance frameworks to effectively monitor firms and take corrective actions to prevent business failures (Nwaebuni et. al., 2023). Therefore, there is a need for robust governance mechanisms to be incorporated into business practices to enhance the value relevance of financial reporting within this sector.

Corporate governance, which originated from Anglo-Saxon economic and administrative systems, became a key element in development policies during the 1990s, notably driven by the World Bank. The separation of ownership and control often explains governance issues, such as transparency and information asymmetry (Udoh, et al. 2023). In the case of Nigeria’s listed consumer goods companies, these governance challenges can shape the relationship between stakeholders (particularly managers and shareholders) which in turn affects the firms' ability to generate value. This relationship serves as a crucial driver of growth (Emmanuel, 2023). The importance of corporate governance has increased due to corporate scandals and failures, which have led to the downfall of several businesses globally, including in Nigeria.

Corporate governance encompasses various mechanisms that can either enhance or reduce the value relevance of accounting information, particularly in the listed consumer goods sector (Singh & Rastogi, 2023). This is crucial for decision-making by users like investors and shareholders, as it helps mitigate agency costs. The significance of corporate governance mechanisms became even more pronounced following scandals such as Enron and financial crises like the one in 2008 (Enoidem et. al., 2023). Since the 1990s, many studies have explored the relationship between corporate governance, IFRS, and value relevance in different sectors, including consumer goods companies, through theoretical and empirical models (Muhammad et. al., 2023).

Corporate governance instruments (often linked to board structures, audit committees, and ownership structures) play a critical role in producing high-quality accounting information within listed consumer goods companies in Nigeria (Udoh et. al., 2023). Several studies have examined the characteristics of these instruments (board members' age, gender, experience, independence, size) to assess their impact on the quality of financial information. The results of these studies are mixed. Some show a positive relationship between corporate governance mechanisms and value relevance, while others find a negative or insignificant relationship. Within Nigeria's consumer goods sector, further research is needed to fully understand these dynamics.

There is a notable variation in the findings regarding the relationship between board structure and value relevance in studies on corporate governance. Some researchers have found a positive relationship, indicating that an effective board structure enhances value relevance (Singh & Rastogi, 2023; Muhammad et. al., 2023; Akpan & Nkanga, 2023). However, another group of researchers found a negative relationship, suggesting that certain board structures may reduce the value relevance of financial information (Udosen & Akpan 2024; Enoidem et. al., 2023). Additionally, some studies have yielded inconclusive results, neither confirming nor disproving the influence of board structure on value relevance (Udoh et. al., 2023; Nwaebuni et. al., 2023). The current study seeks to address this evidence gap by examining the effect of corporate governance mechanisms on value relevance of financial statements of listed consumer goods companies in Nigeria. The study focused the following objectives: that is to;

i. evaluates the effect of Board size on value relevance of financial statements of listed consumer goods companies in Nigeria;

ii. evaluates the effect of Board independence on value relevance of financial statements of listed consumer goods companies in Nigeria; and

iii. evaluates the effect of Board meeting on value relevance of financial statements of listed consumer goods companies in Nigeria.

2.1 Conceptual Review

2.1.1 Value relevance

Value relevance refers to the extent to which financial information, particularly accounting figures such as earnings, book value, and cash flows, influences the stock prices of a company or is useful to investors in assessing the firm's market value (Alabede, 2016). Value relevance refers to the degree to which financial statement information, such as earnings, book value, or cash flows, is useful to investors and stakeholders in making economic decisions, particularly in predicting a company's future performance and assessing its market value (Omokhudu & Ibadin, 2015). Financial information is considered value-relevant if it influences investors' perceptions and is reflected in the company's stock price.

In other words, financial data is considered value-relevant if it has a significant impact on investors' decisions and is reflected in the company's share price. The concept is central to understanding how well financial reports provide meaningful insights into a company's true economic condition. Value relevance is often examined in the context of accounting standards, where the quality, transparency, and timeliness of financial disclosures can enhance or diminish the usefulness of the reported information (Alabede, 2016). For example, firms that provide accurate and timely earnings reports tend to have higher value relevance, as their stock prices adjust more closely in response to new financial data, reflecting the intrinsic value of the firm.

2.1.2 Corporate Governance

According to the Cadbury Report 1992, corporate governance is defined as the "system by which businesses are directed and controlled". In other words, corporate governance is a general set of customs, regulations, habits and laws that determine how those charged with the responsibility will run a firm. Corporate governance is a set of rules that define the relationship between stakeholders, management, and board of directors of a company and influence how that company is operating (Enoidem et. al., 2023).

2.1.3 Board size

Board size is the number of individuals serving on the board of a firm. The corporate governance code states that the board must be of a sufficient size relative to the scale or complexity of the company's operations and be composed in such a way as to ensure diversity of experience without compromising independence, compatibility, integrity and availability of members to attend meetings. The membership of the board should not be less than five (5) but subject to a maximum board size of 20 directors (CBN 2018) and 15 directors (SEC 2003).

In conformity with agency theory, the size of an organization's board is organized based on the scope and complexity of the firms' production process; this implies that for larger and complex processes would lead to the larger board size (Fama & Jensen, 1983). Investors generally look for a board size that strikes a balance between diversity of expertise, effective governance, and efficient decision-making processes, which can vary depending on the company's specific circumstances and industry norms. A larger board may provide better oversight and governance, potentially enhancing investor confidence in the company's decision-making processes.

2.1.4 Board Independence

Board independence in corporate governance refers to having a board of directors that is free from any undue influence or conflicts of interest, and allowing them to make impartial decisions in the best interests of the company and its stakeholders (Peter et al., 2022). Independent directors are

individuals who do not have any material relationship with the company, its management, or significant shareholders that could potentially compromise their ability to act independently (Nwaebun et al., 2023).

They are expected to bring an objective perspective and provide constructive oversight of the company's affairs. Independent directors are less likely to be swayed by personal interests and more likely to prioritize the long-term success of the company. Their independence helps maintain checks and balances within the organization and promotes transparency and ethical behavior. An independent board of directors can have a significant impact on the value of financial statements in a company. The presence of independent directors on a company's board signals a commitment to strong corporate governance and effective oversight, which can enhance the reporting system of the company.

2.1.5 Board Meeting

A board meeting is a formal gathering of the board of directors of a company or organization to discuss, evaluate, and make decisions on key matters related to the governance and strategic direction of the entity (Singh & Rastogi, 2023). These meetings, typically held periodically, serve as a platform for directors to review the company's financial performance, approve budgets, address risk management, and make important policy decisions. Board meetings also provide an opportunity for directors to engage with senior management, assess ongoing projects, and ensure compliance with legal and regulatory requirements (Emmanuel, 2023). The outcomes of board meetings are often documented in minutes, and decisions made during these meetings play a critical role in shaping the organization's future operations and corporate strategy.

In relation to the Nigerian Code of Corporate Governance, a board meeting is a critical aspect of corporate governance practices aimed at promoting transparency, accountability, and effective decision-making within an organization (Kabwe, et al., 2021). The Nigerian Code emphasizes that board meetings must be conducted regularly, with sufficient frequency to enable directors to fulfill their duties and responsibilities effectively (CBN, 2018 and Code, 2018). The code mandates that boards should schedule at least four meetings annually, ensuring that directors have the opportunity to deliberate on strategic issues, financial performance, and risk management.

2.2 Empirical Review

Udosen and Akpan (2024) investigated the effect of corporate governance mechanisms on investors' confidence of listed consumer goods companies in Nigeria. Corporate governance mechanisms used in the study were; board size, board gender diversity and board independence while investors' confidence was measured using earnings multiple. The population of this study was 21 consumer goods companies listed on the Nigerian Exchange Group (NGX) while 18 consumer goods companies were the final sample size after employing purposive sampling technique. Secondary data were extracted from the annual reports of these companies and analysed using panel least square regression techniques. The results of the analysis revealed that board size and board gender diversity have significant negative effect on earnings multiple of the companies under study, while board independence has no significant effect on earnings multiple of these companies.

Singh and Rastogi (2023) studied the influence of corporate governance on the financial performance of listed SMEs in developing economies like India. The study's sample encompassed 88 SMEs listed on the Bombay Stock Exchange (BSE) SME platform in India, with data collected between 2018 and 2020. The results indicated that ownership concentration did not exhibit a statistically significant association with financial performance, while information disclosures showed an inversely significant relationship.

Emmanuel (2023), conducted a study on corporate governance attributes and financial performance of listed industrial goods companies in Nigeria from 2018 to 2022. The study employed ex-post facto design. Twenty-one (21) industrial goods companies that were listed on the Nigeria stock exchange as of December 31, 2022 and that regularly filed their annual reports to the NSE between 2018 and 2022 made up the study's population. The result of the findings showed that return on assets (ROA) has a mean value of 0.046 indicated that listed industrial goods companies in Nigeria have as average of 4.6% as their return on assets invested. Moreover, the minimum and maximum value for ROA were -0580 (58 % loss) and 0.476 % (47.6) respectively.

Enoidem et. al., (2023) examined the effect of board monitoring mechanisms on earnings managements of non-finance firms listed on the floor of the Nigeria Exchange Group from 2012-2021. Least square variable regression was adopted to analyze and test the three hypotheses formulated for the study. The study revealed that board size, board independence, board gender diversity has significant negative effect on earnings management of non-finance firms listed on the floor of the Nigeria Exchange Group.

Muhammad et. al., (2023) examined the effect of corporate governance on performance of banks in Pakistan for the period. This study used panel estimation technique to quantify the impact of various elements of corporate governance on bank performance. Annual data of 19 Pakistan banks were taken for the period 2013 to 2020. The findings of the study revealed that the size of board and audit committee both significantly improved profitability and productivity, whereas they decrease technical efficiency (TE).

Udoh et. al., (2023) examined the relationship between board committees' independence and financial performance of listed non-finance firms in Nigeria. Findings revealed that audit committee independence significantly influence the performance of non-finance companies in Nigeria; Risk committee independence significantly influence the performance of non-finance companies in Nigeria and remuneration committee independence negatively influence the performance of non-finance companies in Nigeria.

Nwaebuni et. al., (2023) centered on the relationship between corporate governance and the financial performance of banks in Nigeria, specifically focusing on five selected banks: First Bank Plc, United Bank of Africa Plc, Guarantee Trust Bank Plc, Zenith Bank Plc, and Fidelity Bank Plc. The study

found that the composition of the board, encompassing both the Board of Directors and Board Size, did not have a significant impact on the financial performance of these firms.

Akpan and Nkanga (2023) examined the effect of corporate governance attributes on segment reporting of listed conglomerates firms in Nigeria. Ex post facto research design was adopted for the study and five listed conglomerate firms were purposively selected. Secondary data were extracted from these companies' annual reports and the Nigeria Exchange Group fact book. The data for the study was analyzed using OLS regression technique and the findings revealed that board size, board diligence and board gender diversity have significant positive effect on segment reporting measured by the number of reportable segments.

2.3 Theoretical Review

This section considered the theory backing up the study and Agency theory was adopted for this study. Agency Theory as postulated by Jensen and Meckling (1976) is used to explain and resolve issues in the relationship between business principals and their agents. Most commonly, the relationship is the one between shareholder's and company's executives.

Jensen and Meckling (1976), posit that in terms of corporate organizations, agency theory involves a contract under which the shareholders engage the managers to perform some service on their behalf, which includes delegating some decision-making authority to the managers. Agency theory assumes that managers are opportunists who will satisfy self rather than maximize profit on behalf of the shareholders yet their specialized knowledge to generate wealth are highly in demand by shareholders (Udosen & Akpan, 2024). Furthermore, from the agency theory perspective, managers are responsible for conducting business in the interest of the firm, and that a manager's own self-interests will never align completely with the interests of the firm (Habtoor, 2022).

Therefore, the board of directors is instituted to monitor, control and supervise the activities of management so that they can align with shareholders' interest. Agency theory supports this study because board of directors, especially the ones with most outside independent, well sized and well engaged into productive meeting; monitor the actions of managers to protect the interests of owners, thereby improving the value of the financial information to prove their interest in protecting the interest of the firm. When the governance mechanism is strong and effective, the firm is bound to operate effectively and all the systems within the organization will align with common objectives of the firm. This will automatically improve the value perception of the company's information and thus the investors' confidence.

3.0 METHODOLOGY

The current study adopted a quantitative research approach with the ex-post facto research design in examining the effect of corporate governance mechanisms on value relevance of financial statements of listed consumer goods firms in Nigeria. The choice of the ex-post facto research design was due to the fact that this research made use of data extracted from secondary sources. The population of this study was made up of all the 21 consumer goods companies listed on the Nigerian Exchange Group (NGX) and purposive sampling technique was adopted to select 17 companies. The data used in this study were secondary data and they were obtained from the annual report of the sampled companies and the Nigeria Exchange group Fact book. Descriptive statistics, correlation analysis, and multiple linear Regression Analysis were employed in analyzing the data set (Udosen and Akpan 2024). This study employed analytical software of STATA version 15.0.

Model Specification:

In order to test the hypotheses formulated in the study and to achieve the objectives of the research, the study adopted and modified the model of Enoidem et. al., (2023). Hence, the model specification of the study was expressed as;

$RELEVANCE_{it} = \beta_0 + \beta_1 BSIZE_{it} + \beta_2 BIND_{it} + \beta_3 BMEET_{it} + \beta_4 FSIZE_{it} + \beta_5 PROF_{it} + \varepsilon_{it}$

Where:

$RELEVANCE_{it}$ = the relevance of financial statements for firm i at time t.

$BSIZE_{it}$: = Board Size for firm i at time t.

$BIND_{it}$: = Board Independence for firm i at time t.

$BMEET_{it}$: = Board Meetings for firm i at time t.

$FSIZE_{it}$: = Firm Size for firm i at time t.

$PROF_{it}$: = Profitability for firm i at time t.

B_0: = Intercept.

β_1, β_2, β_3, β_4, and β_5 = the Coefficients of the independent and control variables.

ε_{it}: = Error term for firm i at time t.

Table 1: Variables Measurement

Variables	Code	Measurement	Source
Dependent			
Value Relevance	**RELEVANCE**	Ohlson Model	(Alabede, 2016; Omokhudu & Ibadin, 2015)
Independent			
Board size	**BSIZE**	Number of board members	Kabwe, (2023)
Board Independence	**BIND**	Proportion of independent directors to board size.	Kabwe, (2023)
Board Meeting	**BMEET**	Number of Board Meeting in a year	Kabwe, et al., (2021)
Control			
Firm size	**FSIZE**	Natural log of company total assets	Eleng, et al. (2022)
Probability	**PROF**	Profit After Tax/Total Asset	Leni, et al., (2021)

Source: Authors' Compilation, (2024)

4.0 Data Analysis and Results

This section presents the analysis of data collected and the results obtained from the empirical investigation. The data analysis is carried out using appropriate statistical techniques to test the hypotheses and provide insights into the relationship between corporate governance mechanisms and value relevance of financial statements of listed consumer goods companies in Nigeria. The results of the analyses are presented in both descriptive statistics, correlation analysis and multiple linear regression analysis. The results are further interpreted in relation to the objectives of the study and discussions of findings were in relation to the existing literature.

Table 2: Descriptive Statistics

VARIABLE	OBS	MEAN	STD. DEV.	MIN	MAX
RELEVANCE	187	95.13853	276.5317	-151.026	1669.719
BSIZE	187	10.12834	2.870802	4	18
BIND	187	70.58512	14.71422	29.3856	93.33334
BMEET	187	4.743316	1.19964	1	11
FSIZE	187	11.5647	2.270367	5.112	14.564
PROF	187	.0577914	.1290825	-.197	1.495

Source: STATA Version 15.0, (2024)

The relevance of financial statements in Nigerian consumer goods companies has an average value of 95.14, suggesting that, on average, the financial reports of these firms provide substantial value to users. However, the large standard deviation of 276.53 reflects considerable variability across firms. Some firms exhibit negative relevance, with a minimum of -151.03, possibly indicating less useful or even misleading financial information, while others have extremely high relevance, with a maximum of 1669.72, suggesting that the financial statements of some firms are highly informative and useful to stakeholders.

Board Size, with a mean of 10.13 members, reflects that the average board composition in Nigerian consumer goods companies is moderately large. The standard deviation of 2.87 suggests some variation in board size across firms. A minimum of 4 members and a maximum of 18 indicate that board sizes vary considerably within the sector, potentially influencing the governance quality and effectiveness, which in turn may impact the relevance of financial statements. Larger boards may provide more diverse perspectives, while smaller boards might operate with more agility.

Board Independence, with an average of 70.59%, indicates that, on average, a significant proportion of the board members in consumer goods companies are independent directors. The standard deviation of 14.71 suggests notable variation, with some firms having as low as 29.39% independence and others as high as 93.33%. Firms with a higher percentage of independent directors may benefit from enhanced objectivity and better oversight, which could lead to higher financial statement relevance, whereas lower independence might lead to conflicts of interest and reduced transparency.

The average number of board meetings per year is 4.74, with a standard deviation of 1.20. Most firms in the consumer goods sector hold between 3 and 6 board meetings annually, while some firms hold as few as 1 or as many as 11. More frequent board meetings could indicate more active oversight and decision-making, which might improve the quality and relevance of financial statements. In contrast, firms with fewer meetings might lack the necessary oversight, potentially reducing financial statement relevance.

The average firm size, measured as the natural logarithm of total assets, is 11.56, with a standard deviation of 2.27. The minimum size is 5.11, while the largest firms have a log size of 14.56. Larger firms may have more resources to invest in financial reporting processes and governance structures, which could enhance the relevance of their financial statements. Conversely, smaller firms may have fewer resources, potentially leading to lower relevance in their financial reports.

Profitability, with a mean value of 0.058 (5.78%), reflects modest profitability levels across the consumer goods companies in Nigeria. The standard deviation of 0.13 indicates significant variation in profitability, with some firms experiencing losses (minimum of -0.197) and others achieving high profitability (maximum of 1.495 or 149.5%). Firms with higher profitability are likely to have more transparent and relevant financial statements, as they may have better financial health and clearer reporting, whereas less profitable firms or those with losses might have less relevant financial reports.

Table 3: Correlation Analysis

	RELEVANCE	**BSIZE**	**BIND**	**BMEET**	**FSIZE**	**PROF**
RELEVANCE	1.0000					
BSIZE	-0.0519	1.0000				
BIND	-0.0724	0.1202	1.0000			
BMEET	-0.1486	0.0643	-0.0225	1.0000		
FSIZE	0.2784	0.6236	0.1304	0.1223	1.0000	
PROF	0.2865	-0.0492	-0.0085	-0.0109	0.1244	1.0000

Source: STATA Version 15.0, (2024)

The correlation results between the variables and the relevance of financial statements for listed consumer goods companies in Nigeria reveal varying directions and strengths of relationships. Starting with Board Size (BSIZE), there is a very weak negative correlation (-0.0519) with RELEVANCE, indicating that larger boards are slightly associated with less relevant financial statements, though this relationship is almost negligible and may not have practical significance. Similarly, Board Independence (BIND) has a very weak negative correlation (-0.0724) with financial statement relevance, suggesting that a higher percentage of independent directors is linked with a marginal reduction in the relevance of financial statements. Again, this effect is minimal and likely not meaningful in practice.

Board Meetings (BMEET) also shows a weak negative relationship (-0.1486) with financial statement relevance. This suggests that an increase in the frequency of board meetings is associated with a slight decline in the relevance of financial statements, although the weak strength of this correlation implies that board meeting frequency is not a major factor in determining financial statement relevance in the consumer goods sector.

On the other hand, Firm Size (FSIZE) exhibits a moderate positive correlation (0.2784) with financial statement relevance, indicating that larger firms tend to have more relevant financial reports. This moderate strength suggests that firm size is a more significant factor in enhancing financial statement relevance compared to the board-related variables. Similarly, Profitability (PROF) has a moderate positive correlation (0.2865) with relevance, suggesting that more profitable firms tend to produce more relevant financial statements. This relationship indicates that profitability plays an important role in improving the relevance of financial information for stakeholders within this industry.

In summary, the results suggest that Firm Size and Profitability positively contribute to the relevance of financial statements in consumer goods companies, while board characteristics like Board Size, Board Independence, and Board Meetings have minimal or weak negative associations with financial statement relevance.

Multicollinearity Test

The Variance Inflation Factor (VIF) analysis reveals that multicollinearity is not a concern in the model, as all VIF values are well below the critical threshold of 10. The mean VIF is 1.30, indicating that the independent variables in the model are not highly correlated with each other. Firm Size (FSIZE) has the highest VIF at 1.73, followed by Board Size (BSIZE) at 1.69, both of which are within acceptable limits, suggesting that these variables do not exhibit significant multicollinearity. Profitability (PROF), with a VIF of 1.04, and Board Independence (BIND) and Board Meetings (BMEET), both with VIFs of 1.02, show no signs of multicollinearity. This indicates that these variables are sufficiently independent, allowing the model to produce reliable and unbiased estimates without issues arising from inter-variable relationships.

Heteroskedasticity Test

The results of the Breusch-Pagan / Cook-Weisberg test for heteroskedasticity indicate the presence of heteroskedasticity in the model. The null hypothesis (Ho) of this test assumes constant variance, meaning that the error terms have homoskedasticity (equal variance). However, with a chi-square statistic of

252.64 and a p-value of 0.0000, the test rejects the null hypothesis at 1% significance level. This indicates that there is heteroskedasticity issue with the results. As a result, the study conducted robust standard errors test to address this issue with the regression result and it is presented in table 4.

Table 4: Regression Analysis

RELEVANCE	Coef.	Robust Std. Err.	t	P>t
BSIZE	-31.15112	10.24372	-3.04	0.003
BIND	-1.87879	.9375559	-2.00	0.047
BMEET	-43.30132	12.40763	-3.49	0.001
FSIZE	59.7272	14.76432	4.05	0.000
PROF	442.7408	369.7931	1.20	0.233
Cons	32.34031	78.08632	0.41	0.679
Number of OBS				187
F(5, 181)				5.58
Prob > F				0.0001
R-squared				0.2477

Source: STATA Version 15.0, (2024)

The overall model is statistically significant with an F-statistic of 5.58 and a p-value of 0.0001, indicating that the independent variables collectively have a significant effect on financial statement relevance. The R-squared value of 0.2477 suggests that approximately 24.77% of the variance in the relevance of financial statements is explained by the model.

The coefficient for Board Size is -31.15112, which indicates the Board Size has a negative effect on value relevance of the financial statement of listed consumer goods companies in Nigeria. The t-value is -3.04 and the p-value is 0.003, indicating board size has a significant negative effect on the relevance of financial statements for listed consumer goods companies in Nigeria.

The coefficient for Board Independence (BIND) is -1.87879, which indicates the Board independence has a negative effect on value relevance of the financial statement of listed consumer goods companies in Nigeria. The t-value is -2.00 and the p-value is 0.047, reflecting board independence has a significant negative on the relevance of financial statements among Nigerian consumer goods companies.

The coefficient for Board Meetings is -43.30132, which indicates the Board Meetings has a negative effect on value relevance of the financial statement of listed consumer goods companies in Nigeria. The t-value is -3.49 and the p-value is 0.001, indicating board meeting has a significant negative impact effect on financial statement relevance of listed consumer goods companies in Nigeria.

The coefficient for Firm Size is 59.7272, which indicates the firm size has a positive effect on value relevance of the financial statement of listed consumer goods companies in Nigeria. The t-value is 4.05 and the p-value is 0.000, reflecting that firm size has a significant positive on the relevance of financial statements for listed consumer goods companies in Nigeria.

The coefficient for Profitability is 442.7408, which indicates the Profitability has a negative effect on value relevance of the financial statement of listed consumer goods companies in Nigeria. The t-value is 1.20 and the p-value is 0.233, suggesting profitability has a positive but statistically insignificant relationship between profitability and financial statement relevance for listed consumer goods companies in Nigeria.

Discussion of Findings

The negative effect of Board Size on the value relevance of financial statements in listed consumer goods companies aligns with the findings of Udosen and Akpan (2024), who also reported a significant negative impact of board size on earnings multiple. Similarly, Enoidem et al. (2023) found a negative association between board size and earnings management in non-financial firms, suggesting that larger boards may lead to inefficiencies in decision-making. However, Muhammad et al. (2023) contradict this finding, showing that larger board size improves bank performance in Pakistan. The contradiction could stem from differences in industry dynamics and corporate governance practices in the banking sector compared to consumer goods firms. Agency theory supports this finding, as larger boards may struggle with coordination and oversight, leading to weaker monitoring and a decline in financial statement relevance.

The negative effect of Board Independence on the value relevance of financial statements also resonates with the findings of Enoidem et al. (2023), who identified a negative effect of board independence on earnings management in Nigerian non-financial firms. However, this finding contradicts Udosen and Akpan (2024), who found no significant effect of board independence on investors' confidence in listed consumer goods companies, as well as Singh and Rastogi (2023), who reported no significant association between ownership concentration and financial performance in Indian SMEs. The

contradiction may be due to differences in governance structures or sample sizes. Agency theory suggests that while independent directors are expected to enhance monitoring, their lack of industry expertise may limit their ability to positively influence financial statement relevance.

The negative effect of Board Meetings on value relevance aligns with Udosen and Akpan (2024), who found a negative relationship between governance mechanisms and earnings multiples. This suggests that frequent board meetings might not necessarily translate to better decision-making, possibly due to inefficiencies or symbolic compliance. However, it contrasts with Muhammad et al. (2023), where board governance improved profitability and productivity in Pakistani banks. This contradiction may arise from different governance dynamics across industries. Agency theory supports the idea that too many meetings could dilute board effectiveness if they are not focused on strategic decision-making, thus reducing the financial relevance of corporate reporting.

The positive effect of Firm Size on value relevance is consistent with the findings of Akpan and Nkanga (2023), who reported that board attributes, including diligence, had a significant positive impact on segment reporting in Nigerian conglomerates. Firm size is often associated with more resources and better governance structures, leading to greater value relevance. This is further supported by Emmanuel (2023), who highlighted the positive influence of corporate attributes on financial performance in industrial goods companies. Agency theory suggests that larger firms have better mechanisms for reducing information asymmetry, which enhances the reliability of financial statements for stakeholders.

The insignificant relationship between Profitability and value relevance contradicts conventional wisdom but is supported by the findings of Nwaebuni et al. (2023), who found that board composition, including size and independence, did not significantly impact financial performance in Nigerian banks. This suggests that profitability, while important, may not directly translate into value relevance in the context of consumer goods companies. The contradiction could arise from differences in market dynamics or financial reporting standards across sectors. From the lens of agency theory, even though profitability signals firm performance, other governance factors, such as transparency and disclosure quality, may play a more crucial role in ensuring the financial statements' relevance.

5.0 Conclusion and Recommendations

Conclusion

The analysis of the relevance of financial statements among listed consumer goods companies in Nigeria has provided several insightful findings. Board characteristics, including Board Size, Board Independence, and Board Meetings, have shown a significant negative impact on the relevance of financial statements. This suggests that larger boards, higher proportions of independent directors, and more frequent meetings may not necessarily enhance the quality or relevance of financial disclosures. Conversely, Firm Size is positively associated with financial statement relevance, indicating that larger firms tend to produce more relevant financial information. Profitability, however, does not have a statistically significant effect on the relevance of financial statements in this context.

These findings underscore the importance of firm size in improving the relevance of financial statements and suggest that simply increasing board size or independence, or increasing meeting frequency, may not be effective strategies for enhancing financial disclosure quality. The results highlight the need for more nuanced approaches to corporate governance and financial reporting.

Recommendations

To enhance the relevance of financial statements for listed consumer goods companies in Nigeria, it is recommended that firms focus on optimizing board composition and reporting practices. Companies should carefully evaluate and adjust their board size and composition to ensure that members possess the necessary skills and expertise, rather than simply increasing board size or independence. Enhancing reporting practices, particularly for smaller firms, by investing in robust reporting systems and engaging in regular external audits can improve financial statement relevance. Additionally, companies should review their board meeting frequencies to ensure that meetings are productive and aligned with key financial reporting objectives, rather than merely increasing their number. Further research is encouraged to explore additional factors affecting financial statement quality, and policymakers should consider these insights when developing regulations to improve corporate governance and financial reporting standards.

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APPENDIX

```
. summarize relevance bsize bind bmeet fsize prof
```

Variable	Obs	Mean	Std. Dev.	Min	Max
relevance	187	95.13853	276.5317	-151.026	1669.719
bsize	187	10.12834	2.870802	4	18
bind	187	70.58512	14.71422	29.3856	93.33334
bmeet	187	4.743316	1.19964	1	11
fsize	187	11.5647	2.270367	5.112	14.564
prof	187	.0577914	.1290825	-.197	1.495

```
. correlate relevance bsize bind bmeet fsize prof
(obs=187)

             | releva~e    bsize     bind    bmeet    fsize     prof
-------------+------------------------------------------------------
   relevance |   1.0000
       bsize |  -0.0519   1.0000
        bind |  -0.0724   0.1202   1.0000
       bmeet |  -0.1486   0.0643  -0.0225   1.0000
       fsize |   0.2784   0.6236   0.1304   0.1223   1.0000
        prof |   0.2865  -0.0492  -0.0085  -0.0109   0.1244   1.0000

. regress relevance bsize bind bmeet fsize prof

      Source |       SS           df       MS      Number of obs   =       187
-------------+----------------------------------   F(5, 181)       =     11.92
       Model |  3522533.08         5  704506.616   Prob > F        =    0.0000
    Residual |  10700848.5       181  59120.7101   R-squared       =    0.2477
-------------+----------------------------------   Adj R-squared   =    0.2269
       Total |  14223381.6       186  76469.7936   Root MSE        =    243.15

------------------------------------------------------------------------------
   relevance |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
       bsize |  -31.15112   8.062271    -3.86   0.000    -47.05924   -15.24299
        bind |   -1.87879   1.224736    -1.53   0.127    -4.295387    .5378068
       bmeet |  -43.30132   14.99362    -2.89   0.004    -72.88608   -13.71656
       fsize |    59.7272   10.34147     5.78   0.000     39.32185    80.13255
        prof |   442.7408   141.1799     3.14   0.002     164.1707     721.311
       _cons |   32.34031   134.3705     0.24   0.810    -232.7937    297.4743
------------------------------------------------------------------------------

. vif

    Variable |       VIF       1/VIF
-------------+----------------------
       fsize |      1.73    0.576594
       bsize |      1.69    0.593342
        prof |      1.04    0.957076
        bind |      1.02    0.978740
       bmeet |      1.02    0.982454
-------------+----------------------
    Mean VIF |      1.30

. hettest

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
         Ho: Constant variance
         Variables: fitted values of relevance

         chi2(1)      =   252.64
         Prob > chi2  =   0.0000
```

```
. regress relevance bsize bind bmeet fsize prof, robust

Linear regression                               Number of obs     =        187
                                                F(5, 181)         =       5.58
                                                Prob > F          =     0.0001
                                                R-squared         =     0.2477
                                                Root MSE          =     243.15
```

relevance	Coef.	Robust Std. Err.	t	P>|t|	[95% Conf.	Interval]
bsize	-31.15112	10.24372	-3.04	0.003	-51.36359	-10.93864
bind	-1.87879	.9375559	-2.00	0.047	-3.728735	-.0288448
bmeet	-43.30132	12.40763	-3.49	0.001	-67.78352	-18.81912
fsize	59.7272	14.76432	4.05	0.000	30.59489	88.85951
prof	442.7408	369.7931	1.20	0.233	-286.9191	1172.401
_cons	32.34031	78.08632	0.41	0.679	-121.7362	186.4169