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EFFECT CORPORATE GOVERNANCE ON FINANCIAL PERFORMANCE OF MANUFACTURING FIRMS IN NIGERIA.

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ABSTRACT

This study examined the impact of Corporate Governance on Financial Performance of Manufacturing Firms in Nigeria. The predictor variable is corporate governance proxies by board composition, board size and board independence while financial performance is the dependent variable measured by return on asset. The objectives of the study were to examine the impact of corporate governance variables (Board Composition, Board Size and Board Independence) on return on asset, Secondary data sourced from the annual report of the sampled manufacturing firms for a period of ten (10) years 2012- 2022 were used. The data obtained were analysed with the aid of descriptive statistics, Pearson correlation coefficient and ordinary least square regression. The findings among, other things indicated that board composition has positive insignificant impact on return on asset, board size has negative insignificant impact on return on asset of quoted manufacturing firms in Nigeria. Furthermore, the study also revealed that board independence has a positive and significant impact on quoted manufacturing firms in Nigeria. The study concludes that there exist a strong and significant relationship between corporate governance and financial performance of quoted manufacturing firms in Nigeria. Based on the findings, the study recommends that manufacturing firms in Nigeria should ensure that majority of their board members are independent, meaning that the directors are not employees of the companies and do not depend on it for their livelihood so that they can honestly monitor the activities of the CEO and other executive directors. This will help to mitigate and limit the possibility of the CEO and executive directors to exploit the company to their own advantage.

***Key Words:* Corporate Governance, Board Size, Board Composition, Board Independence and Financial Performance.**

INTRODUCTION

Corporate governance has been an issue of global concern long hitherto. However, it came to limelight in the 1980s as a result of the fallout of the Cadbury report in the United Kingdom, which concentrated on the financial aspects of corporate governance. Immediately, the issue of corporate governance then transmitted rapidly across all developed and developing countries (Akpan & Rima, 2012).

Proper governance of companies is now as crucial to the world economy as the proper governance of countries and will converge in associated issues of competitiveness, corporate citizenship, social and environmental responsibility.

Corporate governance is generally the systems of rules, practices and processes by which a company is directed and controlled. According to Akintoye (2010) corporate governance involves the balancing the interest of a company's many stakeholders such as shareholders,

management, customers, suppliers, financier, government and the community. Corporate governance also provides the platform for attaining company's objectives and it covers practically every sphere of management from actions plans and internal controls to performance measurement and corporate disclosure. Good corporate governance wields more profits for the firms, raises their valuation and sales growth and it has the possibility of reducing their capital expenditure. It has been reported by Love (2006) that good corporate governance increases the confidence of stakeholders and stimulates the goodwill of the organization. Corporate governance is a tool to ensure the existence of equity, fairness, accountability and transparency in corporate reporting. Mayer (2011) notes that corporate governance is not only about improving corporate efficiency, it also encompasses two major issues namely the company's strategy and life cycle development. It therefore, ensures that management of organizations pursues those strategies that will safeguard the interest of the shareholders. Good corporate governance is generally identified as those governance mechanisms that are based on a higher level of corporate responsibility that an organization exude in relation to transparency, accountability and ethical issues (Bebeji, etal, 2015). Corporate governance is usually targeted to enhance competition, while allowing customers the option of making a choice. However, corporate governance arrangement and institutions vary from place to place but the focus is to promote corporate unbiasedness, accountability and probity (Akpan & Rima, 2012). Thus, good corporate governance represents a central issue for the operation of modern Manufacturing industry in the world today as it has the capacity of affecting their profitability, solvency and liquidity levels.

The governance of manufacturing firm becomes even more prominent considering their role in financial intermediation in developing economies. Commercial manufacturing firm are the main providers of funds to enterprise and where there is thin or absence of good capital market, their failure becomes the failure of system. Simpson (2009) notes that the impact of the failure of the Manufacturing system can have immense cost, as it has been repeatedly being seen that manufacturing firm failure cost developing countries up to 15% of their GDP and losses that outweighs aids received.

The major challenge of world's economy today is not in the area of manufacturing modern equipment's that will help fight government rebellions or any such crises that may occur in the economy. However, solving the problem of governance can help to totally strengthen an economy and improve the living standards of its citizenry. This is evident in the fact that many companies all over the world suffer from the impact of bad governance and which in effects results to costly impact on the performance of organizations in the economy (Bebeji, etal, 2015).

Commercial Manufacturing firm play crucial roles in propelling the entire economy of any nation by channelling surplus funds to the deficit units, of which there is dire need for repositioning to achieve efficient financial performance through a reform process geared towards forestalling manufacturing firm collapse. In Nigeria, the reform process of the Manufacturing sector is part and parcel of government strategic agenda aimed at restructuring and integrating the Nigerian Manufacturing sector into continental and global financial system. To make the Manufacturing sector sound according to Akpan and Rima (2012), the sector has undergone remarkable changes over the years in terms of number of institutions, structure of ownership, as well as breadth and depth of operations. These

changes have been influenced mostly by the constraints posed by deregulation of the financial system, globalization of operations, technology advancement and implementation of supervisory and prudential requirements that conform to international regulations and standards, which corporate governance is inclusive.
Aremu (2014) observed that corporate governance is still at infancy in the Nigerian Manufacturing industry as only 40% of quoted commercial Manufacturing firm seem to have recognized corporate governance codes. The weakness inherent in the application of corporate governance ethics is perhaps the most vital factor responsible for corporate failures and financial distress among Manufacturing firm. The recent overtime is high profile of corporate fraud which tends to lead to failures in the Nigerian Manufacturing industry. Poor application of corporate governance mechanism is identified as one of the major possible factor in virtually all known instance of Manufacturing firm' failure in the country due to their non-compliance to corporate governance ethics. Aremu (2014) lamented that the past distresses experienced by Manufacturing firm is as a result of lack of proper oversight, regulatory, supervisory and corporate governance functions by the board of directors, in which some of them run their organizations for their own personal interest.

The objective of this paper is to examine the impact of corporate governance on the financial performance of quoted manufacturing firms in Nigeria
The hypothesis for the study are;
H01: Board composition (BC) has no significant impact on returns on asset of manufacturing firms in Nigeria.
H02: Board size (BS) has no significant impact on returns on asset of manufacturing firms in Nigeria.
H03: Board independence (BI) has no significant impact on asset of manufacturing firms in Nigeria.

Literature Review
Conceptual Framework
Corporate Governance
The Organization of Economic Cooperation and Development OECD (2005), define corporate governance as "the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among the major stakeholders/participants in the corporation, such as the board, managers, shareholders and even the other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance. Securities and Exchange Board (2003) defines corporate governance as the acceptance by management, of the inalienable rights of shareholders as the true owners of the corporation and of their own role as trustees on behalf of the shareholders. It is about commitment to values, about ethical business conduct and about making a distinction between personal and corporate funds in the management of a company. According to Ammar, et al (2013), Corporate Governance is a mechanism through which management takes necessary steps to safeguard the interest of stakeholders. It is also the framework within which rules, relationships, systems and processes are controlled (Osundina et al 2016). Stability and good management can be

achieved when firms incorporate corporate governance which is all about complying with stipulated standards, rules and regulations. Sound corporate governance increases the efficiency and value of a firm on the capital market rather than pulling it down and boost the confidence of all stakeholders. Good corporate governance enhances accountability, transparency, ensures efficient and effective use of limited resources, creates competitive and efficient managed companies, attracts and retains investors (Arinze, 2013). Efficient and effective corporate governance leads to satisfaction of employees and consumers. It ensures financial reports reliability and efficient use of resources thereby increasing the reputational effects among internal and external stakeholders. According to Dar, et al (2011), corporate governance reduces transaction cost, cost of capital and vulnerability of financial crises. It leads to the increment of shareholder's wealth, survival of companies in turbulent periods, development of capital market and strengthens the global economy. Effective and Efficient Performance Profitability is a measure of performance and it defines how well a firm has judiciously utilized the available limited resources in all its operations; however, profitability is only a means to an end.

The Code of Corporate Governance issued by Central Bank of Nigeria (2016) defines the subject as the rules, processes, or laws by which institutions are operated, regulated and governed. It is developed with the primary purpose of promoting a transparent and efficient system that will engender the rule of law and encourage division of responsibilities in a professional and objective manner. In Thailand, the National Corporate Governance Committee (NCGC) defined the term as a system having corporate control structure combining strong leadership and operations monitoring. Its purpose is to establish a transparent working environment and enhance the company's competitiveness. Corporate governance, according to Jegede, Akinlabi, and Soyebo (2013), encapsulates what defines the framework of operation of an organization, detailing the processes, regulatory code and ethics that ensure that an organization maintains free flow of operational interaction with the society towards achieving predetermined organizational goals.

According to El-Kharouf (2014), corporate governance entails the engagement of the management in putting in place, the right strategies that would foster operational optimality that can guarantee the transparency and accountability of dealings in an organization. Various scholars have measured corporate governance using different proxies such as institutional ownership, managerial ownership, board size, audit committee size, director's remuneration, board meeting, ownership structure, as well as board gender diversity (Irine & Indah, 2016; Jegede, Akinlabi, & Soyebo, 2013; Akpan & Riman, 2012; Karam & Sonia, 2015; Gadi, Emesuanwu, & Shammah, 2015; Alexander, David, Musibau, & Adunola, 2015; Joseph & Ahmed, 2017).

Prowse (1998) posits that corporate governance refers to the rules, standards and organizations in an economy that govern the behaviour of business owners, directors, and managers and define their duties and accountability to outside investors.

Solomon & Solomon (2004) view it as the mechanism of checks and balances, both internal and external to companies, which ensures that organizations discharge their accountability to stakeholders and act in a socially responsible manner.

Monks and Minow (1996) opine that corporate governance is the relationship among various participants in understanding the direction and performance of business organizations.

Board Composition

The board of directors is often considered the primary internal control mechanism to monitor top management and protect the shareholders' interest with regard to corporate governance. Fama and Jensen (1980) in Moham (2015) argues that board of directors is a "market-induced institution, the ultimate internal monitor of the set of contracts called a firm, whose most important role is to scrutinize the highest decision makers within the firm". It has been argued that it is the responsibility of the directors to ensure that financial statements are prepared according to approved accounting standards. Salleh, Stewart, and Manson (2005); John and Senbert (2014) posits that since the applicability of accounting standards is very flexible, management may choose an acceptable accounting method or estimate that is appropriate for the need of the organization. In this respect, the compliance with the accounting standards may not necessarily mean that financial statements are free from manipulation. Thus, the compliance with accounting standards as required in the Companies and Allied Matters Act (CAMA 2020) as amended may reduce the propensity to manage earnings but may not eliminate the entire practice of earnings management, Sarkar, Sarkar, and Sen, (2006).

Therefore, it is important that the board of directors carry out its monitoring role effectively in order to ensure that financial reporting provides quality information to users by reflecting proper underlying economic substance of the company transactions. The components within the board are essential ingredients for effective monitoring. The appointment of managers as directors (i.e., insiders) is important because they have more information about the organization compared to outside directors. However, domination by insiders may lead to transfer of wealth to managers at the expense of the stockholders (Beasley 1996; Fama 1980). Therefore, outside directors are appointed on the board mainly to obtain independent monitoring mechanism over the board process thereby reducing agency conflicts and improve performance (Craven & Wallace 2001)

Board Size

The CBN code of 2014 did not specify the minimum number of directors a firm should have on its board of directors but have a maximum number of 20 directors. Similarly, PENCOM code of 2008 has no limit as to the number of directors in the board of companies licensed as pension operators, just like the SEC code of 2011 and other similar codes of corporate governance both in Nigeria and other countries of the world. NAICOM code 2009 provides for not less than 7 directors in the board of insurance, reinsurance and loss adjusting companies, likewise in other industrial firms and allied companies. The SEC code 2003 clearly specified a maximum of 15 directors in board in board of directors in the board of directors but the reviewed code in 2011 remove the limit and place a minimum of five (5) directors in a board. The reviewed codes have received and are capable of making it. An independent chair must be able to look his or her CEO in the eye and say "this is my board and I do not agree with you and your management on this issue".

There are notions that larger boards are better for corporate performance because they have a range of expertise to help make better decisions, and are harder for a powerful CEO to dominate. However, recent thinking has leaned towards smaller boards. Jensen (1993) and Lipton and Lorsch (1992) argued that large boards are less effective and are easier for a CEO to control. When a board gets too big, it becomes difficult to co-ordinate and process problems. Smaller boards also reduce the possibility of free riding by individual directors,

and increase their decision-making process. Empirical research supports this. Thus, Yermack (1996) documented that for large firm large U.S industrial corporations, the market values firm with smaller boards more highly. Eisenberg, Sundgren and Wells. (1998) also find negative correlation between board size and profitability when using sample of small and midsize Finnish firms. Independent directors can play a useful role in relation to strategic planning risk management (Farrar, 2005). The board of directors is charged with oversight of management on behalf of shareholders Agency theorists argue that in order to protect the interests of shareholders, the board of directors must assume an effective oversight function. It is assumed that board performance of its monitoring duties is influenced by the effectiveness of the board, which in turn is influenced by factors such as board composition and quality, size of board, duality of chief executive officer, board diversity, information asymmetries and board culture (Brennan, 2006). Ozawa (2006) stated that outside directors can resolve the problem of information asymmetry. Many researchers, such as Musila (2007), in his study on Leadership structure: separating the CEO and chairman of board" have agreed that the erosion of investor confidence in Kenya has been brought about by companies' board composition standards and a lack of transparency in the financial system

Board Independence

The combination of executive and non-executive directors constituting a firm's board is very vital for its performance and in achieving the objective of the firm for better result. The proportion of the non-directors would to a large extent determine the quality of decisions taken since objectivity would play a crucial role and whether the board can actually monitor and control the management in ensuring efficiency in its dealings. A board is seen to be more independent if it has more non-executive directors (John & Senbet, 2014). Executive directors are more familiar with the activities of the organisation and therefore in a better position to monitor top management particularly if they perceived the opportunity to be promoted to positions occupied by incompetent executives. Similarly, non-executive directors may act as "professional referees" to ensure that competition among executive directors stimulates actions consistent with shareholders' value maximization (Fama, 2013). Indeed, evidence from studies (Byrd and Hickman, 1992; Brickley, Coles and Terry, 1994) strongly agreed to the crucial role of non-executive directors in monitoring management performance, offering invaluable advice to shareholders and protecting the interest of shareholders. According to Abdaullahi, Francis, Ajaiye and Edogbo (2016); Rosenstein & Wyatt (1990) financial markets usually respond positively to the announcement of the appointment of non-executive directors by showing an appreciable level of improvement in the performance of the company's shares. Though, other studies from other scholars thus Abduallih et al (2016) in (Hermalin and Weisbach, 1991; Agrawal and Knoeber, (1996) could not establish any significant relationship between non-executive directors and firm performance, it is generally accepted that the effective performance of the board depends on having the right proportion of executive and non-executive directors on the board (Baysinger and Hoskinsson, 1990; Pearce and Zhara, (1992).

Firm Performance

Ebe, Nwoha and Duru (2018) in Amidu and Abor (2006) the work described ways of measuring firm performance to include; profitability, cash flow, sales growth and market to

book value. The portion of earnings not paid out to investors is ideally reinvested back to the company in order to provide for future earnings growth and means of increasing working capital without payment of loan interest. Investors are very keen in finding out how much of the earnings are issued out to investors as either the debenture or shareholders warranty or how much is kept back to the company. Earnings kept from the investors is known as retained earnings, which ideally should be reinvested to provide for future earnings growth. They hope that the firms will use their retained earnings to either maximize their current operations or invest it to recoup higher profits.

Firm performance is a subjective measure of how well a firm can use its assets from its primary mode of business to generate higher revenues. All organizations have financial performance measures as part of their performance management, although there is debate as to the relative importance of financial and non-financial indicators. Evaluating the financial performance of a business allows decision-makers to judge the results of business strategies and activities in objective monetary terms. Growth is generally seen as a sign of success, provided it results in improvements in financial performance (Brealy, Myers & Marcus, 2007).

Financial performance can be measured in many ways. These include: Profitability which describe how much wealthy a company is making after paying for all the expenses and other charges incurred. It is sufficed to say that, the higher the profit of a firm the better the firm's performance evaluation among others. Financial performance can also be measured using; Cash flow which is the difference between the amount of cash at the end of the period and the amount of cash at the beginning of the same period. Positive cash flows indicate a positive financial performance while a negative one indicates poor performance. Ross, Westerfield and Jaffe (1999) defined cash flow as cash generated by the firm and paid to creditors and shareholders. It can also be measured by the Balance sheet strength. This is the company's assets relative to its liabilities at a specific point in time. More assets and fewer liabilities result in a stronger balance sheet. A strong balance sheet is highly preferred. Several ratios can be calculated from the balance to measure financial performance e.g.; Return on Assets, return on Investments, Return on Equity, etc (Brealy, Myers and Marcus, 2007).

Theoretical Review

Stakeholder Theory:

According to stakeholder theory, a company or organization must serve multiple constituencies. According to stakeholder theory, everyone who impacts the company or its operations in any way is a stakeholder, including environmental organizations, clients, employees, local communities, suppliers, governmental organizations, and more (Friedman, A.L.; Miles, S 2006). According to stakeholder theory, organizations and businesses will be more successful in the long run if they prioritize their constituents' needs. According to shareholder theory, a company's primary purpose should be to advance the interests of its shareholders. Shareholder theory translates to a making-more-profit-at-any-cost business philosophy, because shareholders are most concerned with financial growth (Abdullah, H & Valentine, B 2009). The success of the corporation depends on its primary and secondary stakeholders. The corporation's failure to meet or address its stakeholders' needs may lead to its collapse in the future. For example, suppose manufacturing companies fail to honour their tax obligations to the government. In that case, it may affect

their operations due to the frustration they would face from the government, or the government could collapse the corporation. Therefore, stakeholder theory is vital to a manufacturing company's corporate governance and financial performance.

Agency Theory:

Managerial decisions in today's widely owned corporations deviate from what is necessary to maximize shareholder returns. According to agency theory, managers are agents, and owners are principals; an agency loss occurs when owners' returns on their residual claims are lower than if the owners themselves exercised direct management of the firm (Kasum, A.S. & Etudaiye-Muthar, O.F 2014). Mechanisms for minimizing agency losses are outlined in the agency theory. They include incentive programs for managers that provide financial rewards for maximizing shareholder value. Such strategies usually involve top executives buying shares, sometimes at a discount, to align their financial interests with shareholders. Several similar systems relate CEO salary and benefits to shareholder returns and defer a portion of executive income to the future to promote long-term value maximization and discourage short-term executive activity that undermines business value. When the managers of an organization have different goals from the shareholders and the management withholds essential information about manufacturing companies from the shareholders, this may impact the business's financial performance. The shareholders of the manufacturing companies may not be willing to contribute additional funds to the corporation when they discover that their objectives and the information that they were receiving differed from those of the managers.

Empirical Review

Jerry (2019), examined the impact of corporate governance on financial performance of complements in Nigeria was conducted to examine the effects of corporate governance attributing board size, board composition on financial performance (proxied by Return on Assets (ROA), Return on Equity (ROE)). The study uses the expost factor research design with a population and sample size of 6 quoted conglomerate companies listed on the in Nigerian Stock Exchange covering the period between 2008 and 2017. Data for this study was generated from the published annual accounts and reports of the sampled firms. For the purpose of data analysis, Random Effect regression was utilized for the two models (ROA and ROE). The study found that board size has a significant positive effect on financial performance, while board composition and board ownership have a significant negative effect on financial performance.

Biruk and Gurdip (2019), examined the impact of corporate governance practices on share companies' financial performance by using panel regression approach. Data sources from 24 share companies for five years. The findings of robust FGLS estimation of panel regression using ROA and ROE as measures of financial performance revealed board of directors' gender diversity (BDGD sig. at 5%) and size of share companies (SIZE sig. at 1%) have a positive association with return on assets and board of directors meeting attendance rate (BDMAR) in person has a positive association but not significant. The board of directors' size (BS sig. at 5%), board of directors meeting frequency (BMF sig. at 5%) and board of directors' leadership practice (BDLPR sig. at 1%) have a negative impact on

return on assets. The paper also empirical findings ROE has a significant and positive association.

Akinleye and Olarewaju (2019), focused on corporate governance and performance of selected Nigerian multinational firms from 2012 to 2016. Specifically, the study focused on the effect of board size, activism and committee activism on return on asset and firm growth rate. Secondary data collected from four multinational firms were analysed via static panel estimation techniques. While board size and board activism exerted significant negative impact on return on asset, committee activism exerted insignificant impact. The results of the study further showed that board size and board activism exert insignificant negative impact on firm's growth rate, while committee activism insignificantly spurs firm's growth rate. Decisively, discoveries from this study reflect that corporate governance has significant negative impact on return on asset, but has insignificant influence on the growth rate of Nigerian multinational firms. the board meeting frequency (financial performance).

Segun, Abi, and Stephen (2015) investigated the effect of Assessing the Connectedness between Corporate Governance Mechanisms and Financial Performance of Listed Oil and Gas Companies in Nigeria using board composition, audit committee, board size and corporate governance disclosure as independent variables and financial performance (return on equity, profit margin and return on asset) as dependent variable. Secondary data from the audited financial statements of the fifteen listed oil and gas companies in Nigeria were employed. The test of hypotheses and other analysis of data were done using Pearson Correlation and regression analysis generated from SPSS, version 17. Findings of the study revealed that insignificant but positive relationship does exist between board composition and the performance of oil and gas companies in Nigeria. Evidence also exist that corporate governance disclosure level has a positive and significant impact on the ROE. This study therefore recommends that board of directors and stakeholders of oil and gas companies in Nigeria should pay more attention towards enhancing the independence of their audit committees. By so doing will positively impact on corporate governance disclosure in order to enhance their level of profitability.

Saniand and Ali (2017) examined the effect of corporate governance on the performance of assets on a related quality of Deposit Money Banks (DMBs) in the post 2004 banking sector reforms. The population of study consists of the twenty-four (24) deposit money banks. Time series data for the post-reform period (2006-2014) were collected from the Central Bank of Nigeria (CBN) Statistical Bulletin and annual financial reports of the various banks in Nigeria and was analysed using descriptive and inferential statistical tools. Multiple Regression analysis was used to test the hypothesis with the aid of E-view 10 version. JB test was used to test for data stationarity, while Variance Inflation Factor (VIF) and Heteroscedasticity while Test were used for data diagnosis. The findings of the study revealed that corporate governance has positive and significant improvement on Bank Asset Quality (BAQ). However, the improvement is not significant at 5% level. The study consequently concludes that despite the reforms, Deposit Money Banks was still faced with post reform challenges of non-performance. The research therefore recommended that more efforts should be made to ensure adequate compliance with corporate governance provisions in improving performance. Recommending further those frantic efforts should be

made to improve on the huge non-performing loans and management of assets quality, which to a large extent, contribute to bank failures.

Design and Method

The study adopted expost facto research design. This is because the data used for the study were secondary sourced from the annual report of the sampled firms used for the study. The study used judgmental sampling technique to select five manufacturing firms on the Nigerian stock exchange. The sampled firms are Flour Mills Nig Plc, Union Dicon Salt plc, Vono Product plc, Cussons Nig plc and Uniler Nig plc

The data for the obtained for the study were administered and the hypotheses formulated were statistically tested.

The model for the study is as follows:
Dependent variable = f (independent variables)
Where dependent variable = Y and
Independent variable = X
Therefore, Y = f(X)
This can be econometrically expressed as
$ROA_{it} = \beta_0 + \beta_1 BC_t + \beta_2 BS_{it} + \beta_3 BI_{it} + Ų$
Where,
ROA = Return on Assets (Proxy of the dependent variable)
β_0 = the intercept
BC = Board Composition
BS = Board Size
BI = Board Independence
Ų = the error term
β_1- β_3 = (Proxies of the independent variable)

Data Analysis

Table 4.1 Descriptive Statistics

Table 4.1: Research summary of Descriptive Statistics

VARIABLES	ROA	BC	BS	BI
Mean	-0.708667	0.400000	0.111111	0.977778
Median	2.900000	0.000000	0.000000	1.000000
Maximum	26.20000	1.000000	1.000000	1.000000
Minimum	-71.36000	0.000000	0.000000	0.000000
Std. Dev.	14.02187	0.492642	0.316030	0.148231
Skewness	-2.388257	0.408248	2.474874	-6.482494
Kurtosis	10.62223	1.166667	7.125000	43.02273
Jarque-Bera	303.4257	15.10417	155.6836	6637.161
Probability	0.000000	0.000525	0.000000	0.000000
Sum	-63.78000	36.00000	10.00000	88.00000

Sum Sq. Dev.	17498.54	21.60000	8.888889	1.955556
Observations	90	90	90	90

Table 4.1 above shows the mean (average) for each variable, their maximum values, minimum values, standard deviation. It was observed that during the period under review, the sampled firm have negative average performance (return on assets) of -0.708667; this means that the firms have a negative return on assets in the period of the study.
Table 4.1 also revealed that on the average during the period, the firm have board composition (BC) mean of 0.400000, maximum value of 1.000000 and minimum value of 0.000000 respectively. Board size (BS) has a mean value of 0.111111, maximum value of 1.000000 and minimum value of 0.000000. Board independence (BI) has a mean value of 0.977778, maximum value of 1.000000 and minimum value of 0.000000. The large differences between the maximum and minimum values show that the firm's data used for the study are homogeneous.

Table 4.2 Correlation Analysis
Table 4.2: Research Summary of Pearson correlation matrix

VARIABLES	ROA	BC	BS	BI
ROA	1.000000	0.168239	0.042006	0.247386
BC	0.168239	1.000000	0.433013	-0.030773
BS	0.042006	0.433013	1.000000	0.053300
BI	0.247386	-0.030773	0.053300	1.000000

The findings from the correlation matrix table (table 4.2 above) show that performance (return on assets) has a positive association with board composition (0.168239), board size (0.042006), and board independence (0.247386)
The study again, shows that board composition has a strong positive association with board size (0.056857); and negative association board independence (-0.030773). Board size has a positive association with board composition (0.43301300 and board independence (0.053300) respectively. While board independence has a negative association with board composition (-0.030773) and positive association with board size (0.053300).

Regression Analysis
Table 4.3: Research Summary of Regression Analysis
Return on Assets (ROA) Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-33.23827	9.933997	-3.345911	0.0012
BC	5.477302	3.167693	1.729114	0.0874
BS	-2.900039	4.940943	-0.586940	0.5588
BI	28.84516	9.698635	2.974146	0.0038

R-squared	0.814738	Mean dependent var	-0.708667
Adjusted R-squared	0.810679	S.D. dependent var	14.02187
S.E. of regression	13.23802	Akaike info criterion	8.058016
Sum squared resid	14895.84	Schwarz criterion	8.196894
Log likelihood	-357.6107	Hannan-Quinn criter.	8.114020
F-statistic	3.712942	Durbin-Watson stat	1.966473
Prob (F-statistic)	0.007803		

The R-squared which is the co-efficient of determination or measure of goodness of fit of the model, tests the explanatory power of the independent variables in any regression model. From our result, the R-squared (R^2) is 81% in ROA Model. This showed that our model displayed a good fit because the R^2 is closer to 100%, these explanatory variables can impact up to 81% out of the expected 100%, leaving the remaining 19% which would be accounted for by other variables outside the models as captured by the error term.
The F-statistics measures the overall significance of the explanatory parameters in the model, and it shows the appropriateness of the model used for the analysis while the probability value means that model is statistically significant and valid in explaining the outcome of the dependent variables. From table 4.3 above, the calculated value of the f-statistics is 3.712942 and its probabilities are 0.007803 which is less than 0.05. We therefore accept and state that there is a significance relationship between the variables. This means that the parameter estimates are statistically significant in explaining the relationship in the dependent variable.
It is observed from table 4.3 above that only board independence (BI) is statistically significant at 0.05 level of significance with its value as 2.974146. This implies that board independence had contributed significantly to financial performance at the rate of 5% level of significant. The remaining variables – board composition and board size with its values as 1.729114 and -0.586940 respectively are not statistically significant at 5%. Though, board composition is statistically significant at 10% level significant.

Hypotheses Testing
Hypothesis One

H01: Board composition (BC) has no significant impact on returns on asset of manufacturing firms in Nigeria.

Interpretation and Decision:
From the result of our test in table 4.3 above, we found out that the value of our t-test for board composition (BC) is 1.729114 with a probability of 0.0874. This probability value is greater than the desired level of significant of 5%. Since the probability value is greater

than the desired level of significant of 5%, we accept the null and reject the alternative hypothesis; this implies that board composition does not have significant impact on financial performance of quoted manufacturing firms in Rivers state, Nigeria. Thus, board composition is positive and has no significant impact on financial performance of quoted manufacturing firms in Rivers state, Nigeria at 5% level of significant.

Hypothesis Two

H02: Board size (BS) has no significant impact on returns on asset of manufacturing firms in Nigeria.

Interpretation and Decision:

From the result of our test in the table 4.3 above, we found out that the value of our t-test for board size is -0.586940 with a probability of 0.5588. This probability value is greater than the desired level of significance of 5%. Since the probability value is greater than the desired level of significant of 5%, we therefore, reject the alternative and accept the null hypothesis; this implies that board size does not have significant impact on financial performance of quoted manufacturing firms in Rivers state, Nigeria. Thus, board size is negative and has insignificant effect on financial performance of quoted manufacturing firms in Rivers state, Nigeria at 5% level of significant.

Hypothesis Three

H03: Board independence (BI) has no significant impact on asset of manufacturing firms in Nigeria.

Interpretation and Decision:

Drawing inference from table 4.3 above, we found out that the computed value of t-value for board independence (BI) is 2.974146, while its probability is 0.0038. Since its probability value is less than the desired level of significance of 5%, we therefore, accept the alternative and reject the null hypothesis; this implies board independence have significant impact on financial performance of quoted manufacturing firms in Rivers state, Nigeria. Thus, board independence is positive and has significant impact on financial performance of quoted manufacturing firms in Rivers state, Nigeria at 5% level of significant.

Discussion of Findings

Board composition (BC) is positive and has no significant impact on return on asset Manufacturing firms in Nigeria

The board composition has a positive insignificant impact on financial performance of manufacturing firms in Rivers state, Nigeria. The variable is also strongly statistically significant at 10% with the regression coefficient of 5.477302, t-statistics of 1.729114, and p-value of 0.0874 in the ROA model. Furthermore, the positive coefficient between the board composition and financial performance is clearly indicated that increase in board composition increases the financial performance (return on assets) by 173%.

Board Size (BS) is negative and has insignificant effect on financial performance of manufacturing firms in Nigeria

The board size has a negative insignificant effect on financial performance of manufacturing firms in Rivers state, Nigeria. As it is indicated in ROA model, there is negative and

insignificant effect of board size on financial performance of manufacturing firms in Rivers state, Nigeria with a regression coefficient of -2.900039, t-statistics of -0.586940 and p-value of 0.5588. This indicated that decrease in board size decreases the financial performance (return on assets) by 59%. The result is in line with the findings of
(Jerry 2019) that found no significant relationship between board composition and financial performance of manufacturing firms in Rivers state, Nigeria.

Board Independence (BI) is positive and has significant impact on financial performance of manufacturing firms in Nigeria

The board independence (BI) is positive and has significant impact on financial performance of manufacturing firms in Rivers state, Nigeria. The regression result shows a positive and statistically significant effect of board independence on financial performance of manufacturing firms in Rivers state, Nigeria, with a regression coefficient of 28.84516, t-statistics of 2.974146, and p-value of 0.0038 in the ROA model.
Moreover, the significant parameter indicates that increase in board independence increases the financial performance (return on assets) by 297%. This supports the findings of Biruk and Gudip 2019, Saniand and Ali (2017).

CONCLUSION AND RECOMMENDATION

The study was carried out to examine the impact of corporate governance on financial performance of manufacturing firms Nigeria. The independent variable is corporate governance proxied by board composition (BC), board size (BS) and board independence (BI); while the dependent variable is financial performance proxied by return on assets (ROA). Out of the various manufacturing firms quoted on the Nigerian stock exchange, we one use (5) firm using judgmental sampling technique Data collected from the sample firm from the year 2012 to 2022 were used. The data were sourced from the annual reports of the sampled firm. The regression model was used to analyse the data. Results obtained in the study are almost consistent with evidence in available corporate governance literature. Our findings reveal that only board independence have positive significant impact on financial performance of manufacturing firms in Nigeria; whereas board composition and board size have insignificant effect on financial performance of quoted manufacturing firms in Nigeria, though they were positive and negative respectively. The study, therefore recommends the following based on the findings of the study.

i. The study recommended that the management of manufacturing firms in Rivers state, Nigeria should increase board composition since this has positive effect on financial performance. Based on this finding, manufacturing firms in Rivers state in particular and Nigeria in general are encouraged to increase their board composition with regard to corporate governance issues since it improves their performance.
ii. The results also show that board size by the sampled firm has value relevance, since it is expected to negatively affect the future earnings of the manufacturing firm.
iii. Board independence has positive effect on financial performance, managers of manufacturing firms in Rivers state, Nigeria are encouraged to maintain their board independence on corporate governance since it improves their financial performance. There should also be policy consistency on the improvement of board independence

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