



## Corporate Governance and Investing Cash Flow of Consumer Goods Firms in Nigeria

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### Abstract

**Research Purpose:** In light of the critical role corporate governance plays in financial health, this study investigates the relationship between corporate governance factors and investing cash flows in consumer goods firms in Nigeria from 2012 to 2021.

**Methodology:** The study employed an ex-post-facto research design, analysing secondary data from annual reports and accounts of sampled firms. Covariance techniques were used to test the hypotheses.

**Findings:** The analysis revealed a strong positive relationship between corporate governance factors (board size, board independence, and board meetings) and investing cash flows in consumer goods firms.

**Conclusion:** Good corporate governance significantly enhances cash generated from investing activities in Nigeria's consumer goods sector. Effective governance practices lead to better investment decisions and increased financial performance.

**Recommendations:** Consumer goods firms should limit board size to no more than fifteen members to improve decision-making efficiency. Increasing the proportion of independent board members to at least 80% can help mitigate agency problems. Additionally, firms should conduct board meetings quarterly to ensure thorough analysis and informed investment decisions.

**Key words:** *Investing Cash Flow, Board Size, Board Independence, Board Meetings, Corporate Governance.*

## 1. INTRODUCTION

### 1.1 Background of the Study

Corporate investment decisions are one of the financial management decisions made by the board of directors on behalf of the company's real owners, i.e., shareholders. These decisions are undertaken for either investment or disinvestment (Kang, *et al.* 2006). The sole purpose of these decisions is to enhance the corporation's net wealth, ensuring an increase in the value of shares in



the market. Kagzi and Guha (2018) opine that in the contemporary global era, it is urged that board diversity yields elevated decision-making, heightened vision, distinctive ideas, and creative marketing within diverse consumers. Being the decision-making group, corporate boards are the focal point of firms' decisions (Estélyi and Nisar, 2016). Companies' operations success is gauged by structure, calibre, and other corporate board's tactical characteristics.

Andreou, *et al.* (2014) submit that corporate governance, being the instrument available with shareholders to minimise agency costs, can influence the firms' investment decisions. Corporate governance is all about running an organisation in a way that guarantees that its owners as stakeholders are receiving a fair return on their investment. Corporate governance has become a topical issue because of its immense contributions to the growth of modern economies where the private sector plays a key role in the growth process. The absence of good corporate governance is often blamed for the woeful performance of business entities.

Okoye, *et al.* (2016) opine that developed private sector driven economies with a history of established corporate governance structures consistently record high and predictable earnings growth. Thus, low economic growth rates that characterise developing nations are often attributed to the low level of corporate governance practices in these economies. For instance, the closure of many businesses in Nigeria can be attributed to failures of the company directors to diversify their business by investing in other projects that will keep the company solvent and profitable.

Investment decisions are crucial, especially in a changing market with varied options (Minanari & Rahayu, 2020). Investment decisions can't be based exclusively on personal resources and analytics. A wrong judgement can kill a firm. As a result, companies carefully scrutinise investment decisions. Risk and uncertainty mar investment decisions. This implies investors may win or lose. Due to the investment, investors should research each investment opportunity. New research shows that managers don't always make investment decisions in the best interests of shareholders, therefore the board of directors monitors them (Minanari & Rahayu, 2020). Therefore, studying the study between corporate governance and consumer goods businesses' cash flow is crucial.

## **1.2 Statement of the Problem**

The growth and financial performance of consumer goods firms in Nigeria are heavily reliant on the cash generated from their investment activities. These investment decisions are crucially influenced by the board of directors. Effective investment decisions result in increased cash flow from investments, while poor decisions can lead to negative cash flow outcomes. In recent years (2017 to 2022), the consumer goods manufacturing sector in Nigeria has witnessed several



company closures, attributed to challenges such as limited access to foreign exchange, raw material shortages, and weak corporate governance practices.

Nigeria faces various obstacles that hinder the effectiveness of corporate governance, including corruption, ownership structure issues, inefficient legal procedures, inadequate regulatory enforcement, and window dressing practices by directors and auditors. Additionally, auditors' lack of independence and potential negligence during financial statement audits contribute to the overall corporate governance challenges faced by firms.

Despite these known challenges, the specific relationship between corporate governance and investing cash flow in consumer goods firms remains unclear. The impact of corporate governance practices on investment decision-making and its subsequent effect on cash flow management in the consumer goods sector have not been thoroughly explored. Therefore, this study aims to investigate the relationship between corporate governance and investing cash flow in consumer goods firms in Nigeria, providing valuable insights into how corporate governance practices affect investment decisions and cash flow outcomes.

### **1.3 Objective of the Study**

The primary objective of this study was to ascertain the relationship between corporate governance and investing cash flow of consumer goods firms in Nigeria. To achieve the primary objective of the study, the study pursued the following specific objectives:

- i. Determine the relationship between board size and investing cash flows of consumer goods firms in Nigeria.
- ii. Ascertain the relationship between board independence and investing cash flows of consumer goods firms in Nigeria.
- iii. Examine the relationship between board meetings and investing cash flows of consumer goods firms in Nigeria.

## **2. REVIEW OF RELATED LITERATURE**

### **2.1 Conceptual Framework**

#### **2.1.1 Corporate Governance**

Shahid (2001) defined corporate governance as "the set of verified rules by which the management of a company is directed and controlled to maximise the profitability and future value of the firm for stakeholders". The basic role of corporate governance lies in regulating the board's actions. It is a control and monitoring system in which the board of directors oversees the work of management to maximise shareholder value (Jebran & Chen, 2020). Corporate governance is one of the most important dimensions of ESG (environmental, social and governance) indices,



revealing its capacity to ensure legitimacy (Akhtaruzzaman *et al.*, 2021; Buallay, 2019; Miralles-Quirós *et al.*, 2019).

Corporate governance aims at facilitating effective monitoring and efficient control of business. Its essence lies in fairness and transparency in operations and enhanced disclosures for protecting the interests of different stakeholders (Arora & Bodhanwala, 2018). Moreover, corporate governance structures are expected to help the firm perform better through quality decision-making (Shivani *et al.*, 2017).

### **2.1.2 Board Size**

Due to two factors, board size is well-studied. The size of the board of directors may affect a firm's performance. Agency hypothesis says the number of directors represents the CEO's board influence. Onyali and Okerekeoti (2018) define board size as corporate directors. This word emphasises business directors. It relates to executive, non-executive, male, and female directors. Board size is dependent on effectiveness, not headcount, according to Kripa and Dorina (2016). He said board size impacts how successfully it performs its fiduciary duties. For this study, board size is the total number of directors on each sampled firm's board, including the Chairman, CEO or managing director, executive directors, and non-executive directors (outside directors) in a specific financial year.

Yameen, *et al.* (2019) revealed that large boards reduce business productivity because CEO agreement is more difficult. Forbes and Milliken (1999) agree with Lipton and Lorsch that large boards are hard to coordinate and prone to free-riding. They also feel large boards struggle to maximise value.

### **2.1.3 Board Independence**

Board independence describes the ability of non-executive (independent) directors to make correct and unbiased choices. Such choices are made without excessive influence from executive directors, unions, or middle management. Al-said (2021) opine that non-executive directors cannot do their jobs properly unless they are independent of management and give objective commercial judgement. Shareholders trust independent directors to represent them and reduce agency concerns. Uche (2017) argues that low returns, unreported losses, high non-performing loan cases, overbearing executive management, violation of regulatory norms, and weakening of shareholders of Nigerian enterprises is the failure of most Nigerian firms' boards of directors to carry out oversight duty.

The board sets strategy and monitors operations (Zinkin, 2010). Independent directors may participate in board discussions and offer independent opinions. Board shareholders. They must guarantee that insiders or management don't alter their performance. Independent directors



supervise executive directors and senior management. They'd maximise interest value for shareholders. Zinkin says independent directors should address several concerns (2010). They should ask about the company's commercial activity, market segmentation, and key clientele (Fuji, et al. 2012). Independent directors with industry experience are more likely to question CEOs and management teams during board meetings. Committees and directors need independent directors. A non-executive audit committee must be independent. These protect independent directors against management influence.

#### **2.1.4 Board Meetings**

The number of board meetings each year represents how much the board contributes to monitoring, as the board has the power to decide on key issues and supervise the board of management. Regular board meetings boost management's attention and oversight and increase the firm's value (Ma & Tian, 2009). Thus, an appropriate frequency of board meetings may increase firm attention and supervision, and provide value (Ma & Tian, 2009). Meetings allow board members to map out strategies for monitoring bank managers and operations. More frequent meetings mean a more proactive, standards-setting, and engaged board. Fewer meetings suggest an anticipatory board responding to issues and events (reactive).

Nguyen et al., (2021) opine that board meetings are beneficial to shareholders, suggesting that directors in boards that meet more frequently are more likely to perform their duties in accordance with shareholders' interests. Prior research, for example, finds board and audit committee meeting frequency reduced levels of discretionary current accruals (González & García-Meca, 2014). Board meetings enhanced firms' transparency as well as both environmental and financial performance (Saleh et al., 2021).

#### **2.1.5 Investing Cash Flows**

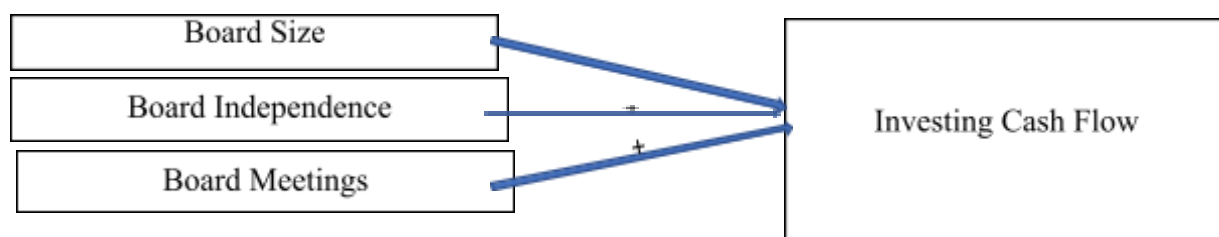
Investing cash flows are important because they indicate expenditures for future income and cash flows (IAS 7). Only expenditures that result in a recognised asset in the statement of financial position are acceptable as investing activities. Bodie (2004) opine that investment cash flows should be regarded as crucial aspects of an organisation's statement of cash flow because they can determine the financial future of a company.

Keown and Martin (2011) opine that buying and selling long-term assets produce investing cash flows. Cash inflows are tied to the sale of long-term assets such as buildings, machines, etc. Long-term asset purchases cause cash outflows (Berry, 2011). Investing can generate cash inflows and outflows. Investments influence survival and growth (Orhan and Basar, 2015). Cash is then invested in productive assets. Property, plant, and equipment are major assets. Many factors can cause cash inflows from sale assets. It might be to create cash to make up for insufficient

operating cash or to sell assets at a profitable price. If assets are no longer cost-effective, they must be removed. It's important to note that asset assets may also be prompted by a shortage of cash flow. This might be a problem for businesses (Jeter, 2005).

Investing cash flows are cash spent on long-term goods to boost firm productivity or profitability. Equipment, technology, and business investments are examples. Negative cash flows from investing include acquisitions of the aforesaid assets. Positive cash flows are from sale assets.

### 2.1.7 Contextual Framework



**Figure 1: Diagrammatic Representation of the Contextual Framework**

**Source: Researcher's Compilation**

## 2.2 Theoretical Framework

The study is anchored on Agency Theory by Jensen and Meckling (1976), as a background and support on which the study was built.

### 2.2.1 Agency Theory

Mitnick (1973) and Jensen and Meckling promoted agency theory (1976). The theory asserts that the agency relationship is a commercial arrangement in which one or more persons (principal) engage another person (the agent) to execute specific services on their behalf, including delegation of some decision-making authority to the agent (Jensen & Meckling, 1976). Agency theory says there is potential for "managerial mischief" when the interests of business owners and managers (agents) vary (Dalton, Hitt, Certo, & Dalton, 2007). Jensen and Meckling (1976) identify three agency costs that the principal is likely to incur: the total monitoring cost by the principal to limit the deviant activities of the agent; the bonding cost by the agent to ensure certain actions of the agent will not harm the principal or to ensure the principal is compensated if such actions occur; and the residual loss, which is the dollar equivalent to the drop in welfare as a result of the agent's actions.

Agency theory says that because people have self-interest, they will have conflicts of interest when cooperating. The agency relationship aims to match the interests of shareholders and managers to address the agent-principal conflict (Meckling, 1976; Fama & Jensen, 1983). Mitnick (1973) asserts that agency difficulties develop in three ways: the principal's problem, the agent's problem, and policing instruments and incentives. The principal, through audit oversight,





guarantees that the agent operates in the principal's interest and reports the real status of the company's affairs. Corporate governance standards arose to improve investment decisions and empower shareholders and other stakeholders. Well-observed corporate governance practices should improve the quality of earnings (Adegbite, 2015).

Still, agency theory has drawbacks. The agency theory cannot sway many of the complications and challenges agents encounter in discharging their tasks and assignments of the principal. Also, the control mechanisms suggested based on agency theory are expensive and economically ineffective, because mechanisms protecting shareholders' interests may interfere with strategic decisions, restrict collective actions, distort investment plans, and ignore the interests of other stakeholders, which may decrease their commitment to creating economic value (Segrestin & Hatchuel, 2011).

### **2.3 Empirical Review**

Ibrahim and Danjuma (2020) examined the implication of corporate governance on the performance of quoted deposit money banks in Nigeria for a period of 5 years (2015-2019). Data for the study was obtained from secondary sources i.e. audited annual reports of fifteen (15) listed banks on the floor of the Nigeria Stock Exchange (NSE, 2017). The study employed panel data analysis using the regression model. Findings showed that there is a significant relationship between board composition, board size, and firm size, and the ROA of deposit money banks in Nigeria.

Kalsie and Shrivastav (2020) examined the relationship between the board size and firm performance of 145 non-financial companies listed in the NSE CNX 200 Index of India corresponding to 16 industries. The study was carried out for a period of five years from 2008 to 2012. The firm performance has been measured using Tobin's Q and the market-to-book value ratio (MBVR) as market-based measures and return on assets (ROA) and return on capital employed (ROCE) as accounting-based measures. The regression models were applied to achieve the above-mentioned objectives. The results conclude that the board size has a positive and significant impact on the firm performance.

Edeti and Garg (2020) determined the impact of board size on the financial performance of commercial banks in Ethiopia for the period of 2009 to 2018. 12 commercial banks are included in this study among 17 banks in Ethiopia based on their financial report of 10 years. Five banks have not been included in the sample selection due to one bank being a development bank and the other four banks being newly established. Multiple regression and correlation were used to determine the relationship between the number of board members and financial performance. The researcher concludes that there is a negative and insignificant relationship between dependent and independent variables analysed in the research of commercial banks in Ethiopia.



Ajemunigbohun, *et al.* (2020) evaluate the effect of corporate governance practices on financial performance with specific reference to some selected insurance companies in Nigeria. The study adopted ex-post facto research designs. Nine insurance firms were purposely selected to be included in this study. The hypothesis was tested using secondary data from annual reports of selected insurance companies and using multiple regression techniques for data analysis. The result revealed a significant influence of corporate governance practices on profitability.

Owiredu and Kwakye (2020) examined the influence of corporate governance principles on banks' financial performance in Ghana. Data for the study was gathered from the annual reports and the financial statements of the sampled banks from the period 2007-2016. A random-effect model was used to analyse the data. This study found a significant positive relationship between board size and financial performance measured by ROA and ROE of banks in Ghana. Interestingly, the study outcome further indicated a positive but no statistical relationship between board independence and institutional ownerships and ROA and ROE of the sampled banks in Ghana.

Shrivastav and Kalsie (2020) examined the relationship between internal corporate governance mechanisms and firm performance of NSE-listed companies. Firm performance has been measured using Tobin's Q and MBVR as market-based measures and ROA and ROE as accounting-based measures. Econometric Analysis is performed using regression models on a panel of 178 non-financial NSE listed firms for a period of eight years from 2011-2018. Board size, Board Composition, Board independence, and CEO Duality have a significant negative impact on firm performance measures. However, Board Activity has no impact on firm performance.

Okoye, *et al.* (2020) explored the nexus between governance practices and bank profitability in Nigeria. It adopts the size of bank board and directors' stake as proxies for corporate governance, with return on assets and returns on equity as representations for financial performance. The estimation technique of the Generalised Method of Moments was employed. Evidence from the research reveals that board size, directors' equity, and firm size substantially affect Nigerian banks' financial performance. Besides, the study shows a robust effect of lagged return on equity on the current level of performance. Therefore, the study asserts that governance in business entities strongly affects their financial performance.

Umar, *et al.* (2020) investigated the relationship between corporate governance in the board of directors and the financial performance of Nigerian banks. The research made use of secondary data obtained from the annual reports of fifteen (15) banks listed in the Nigeria Stock Exchange for the year 2013 to 2015. The random-effect regression model was used for analysis. The results indicated that the relationship between board independence, between board genders, board size,





and ROA is negatively insignificant. Board meetings and ROA were found to be negatively significant.

Minanari and Rahayu (2020) examined the relationship between the corporate governance and investment decisions of listed companies of the Pakistan Stock Exchange. The study employed OLS regression. The results indicate board independence, and chief executive officer (CEO) duality has a significant positive impact on investment decisions. The study further found that experience diversity strongly moderates the relationship between board independence and board size with investment decisions in the opposite direction.

Nguyen, *et al.* (2021) examined the impact of corporate governance (CG), on the dividend policy (DP) of enterprises in Vietnam. The paper studies the impact of CG on DP of businesses listed on Vietnam's stock exchange in the period 2008–2018 with 2,937 observations. The data of these companies is collected from the financial statements of businesses and Vietstock data sets, as well as aggregated from the data published on some reputable securities websites. The study used the GLS regression method for data collected at listed companies in Vietnam from 2008 to 2018. The research results have found that companies with strong BODs tend to pay low dividends. At the same time, research shows that factors such as profitability, financial leverage, firm size, and investment opportunities affect DP.

Disli, *et al.* (2021) investigated the effects of board attributes, i.e. board independence, gender diversity, board size and board activity, on the sustainability performance of 439 publicly-listed non-financial companies across 20 emerging countries over the period of 2010–2019. Multiple regression analysis was used for data analysis. The study results showed a positive relationship between board gender diversity and sustainability performance across a broad spectrum of sustainability indicators. The study also finds evidence that board independence has a positive impact on two sustainability performance measures, i.e. environmental and governance performance.

Ramadan and Hassan (2021) examined the effect of corporate governance mechanisms on the performance of Egyptian firms listed in the Egyptian Stock Exchange (EGX) between 2014 and 2016. The study regressed various performance measures (Return on assets; Asset Utilisation Ratio, Tobin's Q) regarding governance mechanisms (institutional ownership, managerial ownership, board size, board frequent meetings, the presence of non-executive directors and female directors) while controlling for firm size, leverage, years of listing and market share. The study made use of ordinary least square (OLS) and two stages least square (2SLS) regression analysis. Board gender diversity, the managerial ownership and frequent board meetings positively influence the Egyptian firms' efficiency measured by assets utilisation, while the institutional ownership and board size have negative effects.



## 2.5 Gap in Empirical Review

The summary of empirical literature indicates that a lot of studies have been conducted on corporate governance. However, most of these studies focused on corporate governance and profitability or financial performance. Leaving the interaction between corporate governance and investing cash flow unattended to. From the review, none of the authors used all the variables captured in the study. These created a research gap which this study filled. Hence the study sought to ascertain the relationship between corporate governance and investing cash flow of consumer goods firms in Nigeria.

## 3. METHODOLOGY

The study on the relationship between corporate governance and investing cash flow of consumer goods firms in Nigeria employed an ex-post facto research design, leveraging historical data to understand past trends and patterns. Conducted within the insurance industry, this study spanned a decade from 2012 to 2021. It relied on secondary data sources, specifically cross-sectional data from the annual reports and accounts of selected Nigerian insurance companies. The population comprised eighteen consumer goods firms listed on the Nigerian Exchange Group (NGX). From this, a purposive sample of seven firms—Guinness Nigeria Plc, Nigeria Breweries Plc, Cadbury Nigeria Plc, Unilever Nigeria Plc, Nestle Nigeria Plc, Flour Mills, and Dangote Sugar Plc—was chosen based on their performance in the NGX Corporate Governance Rating System (CGRS) and the availability of verified data. These companies were selected for their exemplary corporate governance and anti-corruption measures, making them suitable subjects for this study.

### *Model Specification*

A correlation model was employed to evaluate the relationship between corporate governance and investing cash flow of consumer goods firms in Nigeria. In line with Inyiama and Ezeugwu (2016), the model was specified as follows:

Where:

$$r_{xy} = \frac{\sum(x_i - \bar{x})(y_i - \bar{y})}{\sqrt{\sum(x_i - \bar{x})^2 \sum(y_i - \bar{y})^2}}$$

$r_{xy}$  is the correlation coefficient of the linear relationship between the variables x and y

$x_i$  is the values of the x-variable in the sample

$\bar{x}$  is the mean of the values of the x-variable

$y_i$  is the values of the y-variable in the sample

$\bar{y}$  is the mean of the values of the y-variable



x represents Investing Cash Flows

y represents other variables (Board Size, Board Independence, & Board Meetings) taken separately in each case.

#### 4. DATA PRESENTATION AND ANALYSIS

##### 4.2 DATA ANALYSIS

**Table 4.2.1: Descriptive Statistic Result**

	ICF	BDSIZE	BDIND	BDMEET
Mean	-6004618.	10.40000	0.647823	5.028571
Median	-6101063.	10.00000	0.666667	5.000000
Maximum	61013235	16.00000	0.875000	11.00000
Minimum	-51291536	6.000000	0.250000	3.000000
Std. Dev.	17158376	2.196176	0.121897	1.329394
Skewness	-2.474034	0.568649	0.745914	0.900598
Kurtosis	12.30926	2.419309	4.014847	2.848797
Jarque-Bera	463.1074	6.794365	13.56444	13.61321
Probability	0.000000	0.033467	0.001134	0.001106
Sum	-2198016.	1241.000	739.0000	545.0000
Sum Sq. Dev.	9.34E+11	1450.190	321.7900	272.7500
Observations	70	70	70	70

**Source: Eviews 10.0 Output**

The normality of the distribution of the data series is shown by the coefficients of Skewness, Kurtosis, and Jarque-Bera Probability. From Table 4.2.1, the probability of the Jarque-Bera Statistics for all the explanatory variables have significant p-values as follows, Investing Cash Flow (0.000000), Board Independence (0.001134), Board Meetings (0.001106), and Board Size (0.033467). The significance of the p-values depicts an abnormal distribution for all the variables. This is further confirmed by the skewness coefficients which operate around figure one in all the variables under study, except for Investing Cash Flow. The kurtosis coefficient also provides a second level of confirmation that not all the explanatory variables are abnormally distributed with Board Meetings (2.848797) and Board Size (2.419309) showing a Kurtosis coefficient revolving



around three. However, Investing Cash Flow (12.30926) and Board Independence (4.014847) are abnormally distributed.

**Table 4.2.2: Covariance Analysis Result**

Covariance Analysis: Spearman rank-order

Sample: 2012 2021

Included observations: 70

Covariance				
Correlation				
t-Statistic				
Probability	LOG(ICF)	BDIND	BDMEET	BDSIZE
LOG(ICF)	833.2500			
	1.000000			
BDIND	224.5450	804.6800		
	0.574223	1.000000		
	2.822883	-----		
	0.0058	-----		
BDMEET	240.0750	396.2875	776.9350	
	0.598378	0.501195	1.000000	
	3.094766	5.733706	-----	
	0.0026	0.0000	-----	
BDSIZE	526.6450	558.7175	332.0000	822.3450
	0.636214	0.686837	0.415354	1.000000
	8.163442	9.355023	4.520149	-----
	0.0000	0.0000	0.0000	-----



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**Source: Eviews 10.0 Output**

Table 4.2.2 suggests that investing Cash Flow and Board Independence share a positive and strong relationship (57% approx.) with t-Statistics: 2.822883 and Probability: 0.0058. On the relationship between Investing Cash Flow and Size of Board of Directors, there is a positive but strong association at 63.6% with t-Statistic: 8.163442 and Probability: 0.0000. Investing Cash Flow and Board Meetings, also have results that are in tandem with Board Independence. The two variables (Investing Cash Flow and Board Meetings) share a strong (59.8% approx.) and positive relationship with t-Statistic: 3.094766 and Probability: 0.0026.

**4.3 Test of Hypotheses**

The three hypotheses formulated were tested using Covariance Analysis Result in Table 4.2.2.

**Statement of Decision Rule:** According to Gujarati and Porter (2009), Reject  $H_0$  if the P-value < 0.05, t-statistic is > 2, and if the correlation coefficient is > 0.50. Otherwise, accept  $H_0$  and reject  $H_1$ .

***Hypothesis One******Step 1: Restatement of the Hypothesis in Null and Alternate Form***

$H_0$ : Board size has a nonsignificant relationship with investing cash flows of consumer goods firms in Nigeria.

$H_1$ : Board size has a significant relationship with investing cash flows of consumer goods firms in Nigeria.

***Step 2: Decision***

From the panel covariance analysis in Tables 4.2.2, the P-value of 0.0000 < 0.05 the t-statistic of 8.163442 > 2, and the correlation coefficient of 0.636214 > 0.50. Therefore, the null hypothesis is rejected and the alternative hypothesis accepted. This implies that board size has a significant relationship with investing cash flow of consumer goods firms in Nigeria.

***Hypothesis Two***

$H_0$ : Board independence has a nonsignificant relationship with investing cash flows of consumer goods firms in Nigeria.

$H_1$ : Board independence has a significant relationship with investing cash flows of consumer goods firms in Nigeria.

***Step 2: Decision***



From the panel covariance analysis in Tables 4.2.2, the P-value of  $0.0058 < 0.05$  the t-statistic of  $2.822883 > 2$ , and the correlation coefficient of  $0.574223 > 0.50$ . Therefore, the null hypothesis is rejected and the alternate hypothesis accepted. This implies that there is a significant relationship between board independence and investing cash flow of consumer goods firms in Nigeria.

### ***Hypothesis Three***

$H_0$ : Board meetings have a nonsignificant relationship with investing cash flows of consumer goods firms in Nigeria.

$H_1$ : Board meetings have a significant relationship with investing cash flows of consumer goods firms in Nigeria.

### ***Step 2: Decision***

From the panel covariance analysis in Tables 4.2.2, the P-value of  $0.0026 < 0.05$  A-value, the  $3.094766$  t-statistic  $> 2$ , and the correlation coefficient of  $0.598378 > 0.50$ . Therefore, the null hypothesis is rejected and the alternative hypothesis accepted. This implies that board meetings have a significant relationship with the investing cash flow of consumer goods firms in Nigeria.

## **4.4 DISCUSSION OF FINDINGS**

### **4.4.1 Relationship Between Board Size and Investing Cash Flow**

The covariance analysis result reveals that board size has a significant positive relationship with investing cash flow of consumer goods firms in Nigeria. This implies that as board size increases, investing cash flow increases significantly. This is not unexpected considering that the board of directors decides the result of the firm's decisions, from investments to operational decisions. As a result, a large board helps this process by improving the quality of board decisions and spurring the firm to greater performance angles since two competent heads are always better than one. This is not automatic since saturation may cause decision-making to be delayed. The finding is consistent with the findings of Ibrahim and Danjuma (2020), Kalsie and Shrivastav (2020), and Ajemunigbohun, *et al.* (2020) who found a positive and significant relationship between board size and performance. Edeti and Garg (2020) found opposing findings to the findings of the current study.

### **4.4.2 Relationship Between Board Independence and Investing Cash Flow**

The covariance analysis result reveals that board independence has a significant positive relationship with Investing Cash Flow of consumer goods firms in Nigeria. This implies that as board independence increases Investing Cash Flow will experience a significant increase. This means that in the consumer goods sector, more non-executive directors means better investment decisions. The result is in line with the findings of Owiredu and Kwakye (2020), who found





board independence to have a significant positive relationship with financial performance of firms. Shrivastav and Kalsie (2020) and Umar, *et al.* (2020) made a contradicting finding that board independence and performance share a negative and insignificant relationship.

#### **4.4.3 Relationship Between Board Meetings and Investing Cash Flow**

The covariance analysis result reveals that board meetings have a strong and positive relationship with cash generated from investing activities of consumer goods firms in Nigeria. This implies that as board meetings increase, the investing cash flow will equally increase. This might be explained by the fact that the more frequent the meetings of the board members of consumer goods firms are, the more they can debate and analyse various investment decisions made by the firm. Smart investment works with time and opportunity. The findings of the study go in line with the findings of Minanari and Rahayu (2020) and Ramadan and Hassan (2021) who found significant positive relationships between board meetings and performance of consumer goods firms in Nigeria.

### **5. SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATIONS**

#### **5.1 Summary of Findings**

The findings are summarised as follows:

- i. Board size has a significant (63% approx.) positive (0.636214) relationship with the investing cash flow of consumer goods firms in Nigeria.
- ii. Board independence has a significant (57% approx.) positive (0.574233) relationship with investing cash flow of consumer goods firms in Nigeria.
- iii. Board meetings have a significant (60% approx.) positive (0.598378) relationship with investing cash flow of consumer goods firms in Nigeria.

#### **5.2 Conclusion**

The study examined corporate governance and investing cash flow of consumer goods firms in Nigeria. A numerical description of all variables under study was captured to depict the movement of values and determine the fluctuations of each of the independent variables with the dependent variables. The study documented evidence that corporate governance has a strong relationship with investing cash flow in the sector. However, the detailed outcome shows that board size, board independence and frequency of board meetings have a positive and strong relationship with investing flows of these consumer goods firms. The result is supported by agency theory which puts the firm and its owners as a top priority.

#### **5.3 Recommendations**

The study made the following recommendations:



- i. Firms in Nigeria's consumer goods sector should have a board size that is not more than fifteen. This will facilitate decision making on good investment decisions. Investors should be very mindful of the corporate governance of a firm before investing in those firms.
- ii. The number of independent board members of consumer goods firms should be increased to at least 80%. This will adequately eradicate agency problems associated with executive directors having a personal interest in the organisation, thereby making policies that will benefit them individually and not the stakeholders at large.
- iii. Consumer goods firms should meet more frequently, at least four times (quarterly) a year. This is because the more regularly they meet, the more they analyse and make good investment decisions.

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