BOARD MECHANISM AND FIRM LEVERAGE OF CONSUMER GOODS FIRMS IN NIGERIA

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Abstract

The study examined the effect of board mechanism on firm leverage of consumer goods firms in Nigeria. The independent variables of this study are board meetings, board independence, board gender diversity and managerial ownership while the dependent variable is firm leverage measured by debt to equity. The study adopted Ex-post facto research design. The population of this study consists of 16 listed consumer goods firms in Nigeria Exchange group as at 31st December, 2023. The study used the whole sixteen (16) companies as sample size. The study used secondary data, secondary data used were collected from annual financial reports of the sampled companies for twelve (12) years period spanning from 2012-2023. Panel least square model was developed to test the effect between dependent and independent variables. It was operated using EVIEWS 12. The results of the panel least square model revealed that, board meetings has a positive significant effect on the firm leverage of sampled firms in the Nigerian exchange group (P<.5), board independence has a positive significant effect on the firm leverage of sampled firms in the Nigerian exchange group (P<.5), board gender diversity has a positive significant effect on firm leverage of sampled firms in the Nigerian exchange group. (P<5) and managerial ownership has also positive significant effect on the firm leverage of sampled firms in the Nigerian exchange group. (P<.5). The study concludes that corporate mechanism has significant effect on leverage of consumer goods firms in Nigeria. The study recommended that, consumer goods firm board is encouraged to increase the frequency of board meetings as it has positive effect on firm leverage and also seen as a determinant of the firm's leverage, firm should engage more independent directors on their board as they have impact on the leverage of the firm, firm is encouraged to engage more gender diversity and the management of firms are also advised to encourage its members to acquire more shares in the firm.

Keywords: Board Mechanism, Board Independence, Board Meetings, Board Gender Diversity, Managerial Ownership.

1.0 Introduction

Corporate governance Mechanism has gained wide attention in recent times. Over the last two decades, corporate governance mechanism has attracted the interest of scholars, practitioners, governments, and regulators worldwide. This has culminated in numerous empirical studies on the effect of corporate governance on the financial performance of companies, especially with the collapse of some very prominent companies in the world such as Enron, world com, Arthur Anderson, and Saga; leading to the loss of confidence by the investors in corporate organizations (Oyedokun et 'al, 2017). In Nigeria, cases of corporate unrest and scandals have also been on the increase, with the collapse of major institutions like Oceanic Bank, Nigeria Airways, Bank PHB, Afribank, Spring Bank, Concord, Kaduna Textile Mills, Cadbury Nigerian Plc, Intercontinental Bank Plc and the most recent one of Skye bank and Diamond bank plc and so on has once again resuscitated the need for the practice of good corporate governance (Awodiran, 2019).

Corporate Mechanism refers to mechanisms of interests´ alignment through which corporations are controlled and directed by their shareholders, other stakeholders (employees, creditors, investors, customers, suppliers etc.), as well as the public as a whole. The Board of directors plays an important role in corporate governance practice and in promoting social responsibilities practices and improving information to companies' stakeholders (Rashid, 2021). The Board is the main internal governance mechanism in charge of supervising and controlling executive directors' decisions and resolving any conflict of interest between managers and other stakeholder's. Its responsibilities may include developing a long-term strategy, determining the compensation of corporate executives and evaluating the performance of managers, as well as improving internal control systems. (Atkins et 'al, 2018). Without effective governance mechanism, the principal-agent problem may arise, enabling the managements (agents) to engage in 'opportunistic behaviour, detrimental to enterprise's owners, stakeholders as well the economy as a whole.

Capital structure is considered as a signal in the allocation of cash flow to viable projects, hence, reduces the chances of market failure. According to Oduol (2011), leverage and liquidity are interrelated as levered company holds liquid assets as a precaution in order to absorb the economic a shocks in the market and also to service debt and the consequential future fixed charges. Leverage (otherwise called gearing) is the proportion of fixed interest capital (that is, debt and preference share capital) in financing the operations of a firm. Ordinarily the higher the degree of leverage, the higher is the risk involved in meeting fixed payment obligations (Akinsulire, 2011). The liquidity position of a firm can be measured via the nexus between its current assets and current liabilities. Technically, the current asset of a firm is expected to be more than its current liability in order to remain solvent. Liquidity management describes the ability of a firm to meet its financial obligations through adequate cash flows, funding activities and capital management. According to the findings in the work of Myers and Majluf, (1984) as supported in the research of Giannetti (2003), leverage level tends to be high due to agency costs in less developed economies. Hence, firms that have access to public debt tend to be highly leveraged and more liquid.

The existence of debt in a company's capital structure is called financial leverage (Pandey, 2008). It reveals the borrowings the company has in its capital structure. The amount of fixed-income securities a corporation utilizes, such as debt and preferred equity, is referred to as financial leverage. The higher a firm's earnings leverage is; the more indebtedness it employs. Hefty economic power entails high-interest payments, which have a detrimental influence on the company's earnings per share. In order to amplify profits at significant levels, leverage is used with a concentration over the use of permanently associated costs. It's a two-edged blade that produces highly favourable results when things go smoothly and the polar opposite when things go wrong. If financial leverage permits us to increase our profits, then skilfully managing long-term debt, debt-equity, and financing mix will produce the best results.

The desirability of maximizing shareholders' wealth and protecting the stakeholder's interest has been the quest of corporate entities. The going concern concept of a corporate body is a function of the extent to which an entity can create value substantially for relevant stakeholders. Hence, for corporate entities to fulfilled corporate objective of maximizing wealth through value creation, relevant corporate governance mechanisms are strategically required for value creation. Fundamentally, there are different mechanisms of corporate governances upon which firms can utilize to enhance their economic value which implied the extent to which corporate governance mechanisms constitutes an important determinant of the value of firms. Corporate governance is highly welcomed in business practices of today in order to close the gaps of business malfunctioning and irregularities noticed in the materiality of corporate issues, in a strict sense, it includes shareholders and management of a corporation as key actors; in a broader sense, contains all actors (stakeholders) who contribute to the achievement of stakeholders 'goals inside and outside the company. (Kabir et 'al, 2019).

Corporate governance is at the heart of unravelling how the owners of capital and relevant stakeholders can monitor the activities of management in order to safe guide investment for enhancement of corporate valuation, highlight corporate governance as mechanism of getting a return on investment to the shareholders and to ensure corporate efficiency, transparency, and accountability and to mitigate arising conflicts in order to create value for owners.

The financial crisis in 2008 and high profile financial scandals such as Enron, World Com, Lehman Brothers, AIG amongst others sparked the interest of academic researchers, policy makers, regulatory agencies and most especially investors to be conscious about the extent of corporate governance practices and its impact on firm performance of corporate entities (Tamer, 2015). Dalton and Dalton (2005) noted that corporate governance mechanism and performance has important implications for policymakers who prescribe corporate governance mechanisms. This is because wrong policies may contribute to the fall other than improvement in the performance of corporations, whereas good corporate governance practices strengthen firm performance (Black et al. 2006 and Hodgson et al. 2011).

In modern organisations, the entrenchment of good corporate governance mechanisms as well as the adoption of generally accepted business practices, which altogether were the outcome of various reforms and pronouncements after series of corporate scandals, encourage foreign investment, improve firms' liquidity, boost organisational performance, develop capital markets and also mitigate agency problem between shareholders and managers. Hence, one of the demanding and challenging corporate decisions that an organisation faces is the preference of mixture of capital structure while taking into consideration the nexus between profitability and risks. Ideally, a good capital structure framework is expected to lead to minimisation of overall cost of capital, maximisation of firms' value and enjoying the benefit of corporate leverage with the occurrence of corporate taxes.

In recent decade, it was alleged that one of the reasons for the failure of corporations is lack of proper composition of corporate governance mechanism, hence, the need for further study. Prior literature provides evidence of a positive relationship between corporate mechanism and financial performance and also leverage as follows. In view of the above, the extant literature reviewed show that authors had done great work on the corporate governance mechanism. Such as Yunan, et 'al (2022), examine corporate governance mechanism and profitability, Peter et 'al (2022), studied corporate governance mechanisms and financial performance of listed consumer goods companies in Nigeria, Khan et 'al (2020), evaluate corporate governance mechanism and comparative analysis of one-tier and two-tier board structures, Al-Sawalqa (2021), board mechanisms and corporate market value, Ajala and Adesanya (2018), studied corporate governance mechanism and financial performance of deposit money banks in Nigeria, Ilo et 'al (2016) studied corporate governance mechanism and performance of listed manufacturing firms in Nigeria and George and Karibo (2014), evaluated corporate governance mechanisms and financial performance of listed firms in Nigeria: A content analysis.

The uniqueness of this research over other prior studies is the combination of variables such as, board meetings, board gender diversity, board independence, managerial ownership to investigate corporate mechanism on leverage of consumer goods firms in Nigeria and the use of total debt to total net assets to measure leverage. Most study on corporate mechanism focused on firm performance on deposit money banks, manufacturing firms but our focused is on the leverage of consumer goods firms. The study covers eleven years (12) spanning from 2012 to 2023. This study seeks to fill the existing research gap by ascertaining the current data and results on the effect of corporate mechanism on leverage of consumer goods firms in Nigeria. However, the study is guided with specific objectives that were drawn from the main objective which includes to:

1. Examine the effect of board meetings on leverage of consumer goods firms in Nigeria.

2. Determine the effect of board independence on leverage of consumer goods firms in Nigeria.
3. Investigate how board gender diversity affect leverage of consumer goods firms in Nigeria.
4. Evaluate the effect of managerial ownership on leverage of consumer goods firms in Nigeria.

2.0 Literature of Related Literature.

2.1 Conceptual Review

2.1.1 Corporate Mechanism: This means any board of directors or corporate governing body, including an advisory board. Corporate mechanism can also be described as Board of Directors of the Corporation. Thus, corporate mechanism or variables are many but frequently considered mechanisms are: board composition, board committees, CEO duality/separation, board meetings and the extent of shareholder concentration. Besides, corporate mechanism in Nigeria is a set of internal controls, policy and procedures which form the framework of a company's operations and its dealings with various stakeholders such as customers, management, employees, government and industry bodies. Customers, management, employees, government and industry bodies.

Akbar (2015), corporate governance is concerned with the mechanism or organization employed to safeguard the rights of shareholders. The need for corporate governance stems from the problem of agency issue, in a corporate system managers have more power and information than isolated shareholders, as a shareholder is interested to get a return on his investment in the form of dividend or capital gain but the aim of the managers may be somewhat different like securing his job, get a promotion and the like. The evolution of public ownership has created a separation between ownership and management. Before the 20th century, many companies were small, family-owned and family-run. Today, many are large international conglomerates that trade publicly on one or many global exchanges.

2.1.2 Board Meetings and Leverage

According to Nigeria Code of Corporate Governance (2019), board meetings are the principal vehicle for conducting the business of the Board and successfully fulfilling the strategic objectives of the Company. In order to effectively perform its oversight function and monitor management's performance, the board should meet at least once every quarter. Every director should endeavour to attend all board meetings. The attendance record of directors should be among the criteria for the re-election of a director. Minutes of meetings of the board and its committees, as a record of what transpired at those meetings, should be prepared and sent to directors on a timely basis. Such minutes should be formally reviewed and approved by the members of the Board or relevant Board committee at its next meeting.

According to Ntim and Osei (2011), board meetings are the coming together of directors to discuss and deliberate on how to achieve the organization goals and objectives. Meetings bring people together to discuss a predetermined topic. However, too many are poorly planned and managed, and therefore fail to satisfy objectives when they do not simply waste time. The operating expenses of time wasted include related meeting expenditures, salaries, and opportunity costs. Meetings are essential in any form of human enterprise. These days, they are so common that turning the resources they tie up into sustained results is a priority in high-performance organizations. This is because they are potential wasters: the other persons present may not respect their own time as much as you have come to respect yours, and it is therefore unlikely that they will mind wasting your time. Generic actions before, during, and after can make meetings more effective.

One of the importance mechanisms of corporate governance is the board of directors; various aspects have been suggested as ways to enhance the performance of companies which include an extensive monitoring by directors. Board composition and board activities as represented by board meetings and its intensity are recognised as a mean to enhance the monitoring activity by board members and reflect on firm performance (Jensen, 1993). Several researchers argued that the intensity and frequency of board meetings is a major tool to measure the effectiveness of monitoring by the board of directors (Lipton & Lorsch, 1992; Jensen, 1993). Board meetings are an important feature of the supervisory function of the board of directors as it represents meetings convened to discuss outstanding issues in the company and potential solutions.

Lipton and Lorsch (1992) opine that by stating the frequency and duration of meetings contributes to their success and enhances board oversight activities. This is because having the appropriate and adequate team represents board diligence in carrying out its activities thereby accentuating its effectiveness. Empirically, Vafeas (1999) found that board meetings are statistically and significantly associated with the performance of the firms.

2.1.3 Board Independence and Firm Leverage

Board independence refers to the extent to which a board is comprised of non-executive directors who have no relationship with the firm beyond the role of director (Davidson, 2005). A non-executive director is defined as a director who is not employed in the company's business activities and whose role is to provide an outsider's contribution and oversight to the board of directors, However, Board Independence can also refer as proportion of independent non-executive directors on corporate boards, calculated.(Hanrahan, 2021). From the number of independent members divided by the number of members on the board. In the view of Baysinger and Butler (2015), non-executive director who is entirely independent from management is expected to offer shareholders the greatest protection in monitoring management. Fame and Jensen (2013), posit that the superior monitoring ability of non-executives can be attributed to the incentive to maintain their reputations in the external labour market. Booth (2002), identify two measures of independence on the board: the percentage of outside directors on the board and whether the CEO also serves as the board chairperson. Furthermore, appointing outside directors to the board appears to be an effective corporate governance mechanism to reduce the agency problem and increase earnings quality (Peas Nell, 2020).

The independence of the board as a corporate governance mechanism can be traced to the Anglo-American background. It can be linked to the existence of dispersed ownership structure which ensures that outside board members serve as a watcher to corporate activities as seen in the United States in the 1960s. (Kabir, et 'al 2019). To identify the existence of board independence in a firm, the existence of independent non-executive directors on board serves as a measure. It was emphasized that for the board to be truly independent, executive directors must not be greater than 75% of the composition of board size. It was asserted that corporate activities become more complicated as a result of the involvement of independent board members. The presence of independent directors is capable of ensuring timely monitoring, protection of shareholders' interest and timely succession planning for chief executive officers.

Liu (2015), showed that earlier studies had conflicting results with respect to the degree of board structure's impact on companies. This depends on the regulatory and legal environment levels that try to protect stockholders and other stakeholders in the company. Agency theory defenders claimed that board of directors are more powerful in monitoring managers when it was formed of a larger number of non-executive and outside directors. It has been argued that independent directors compete in the workforce market of directors, as they had motives to maintain a good reputation of being experienced in looking after the investors' best interest. The effectiveness of expanding the number of outside directors might be less than expected by

the regulatory authorities because of the information asymmetry among the CEOs and the outside directors. For instance, a CEO may choose the timing and content of information presented to the board that makes it challenging for directors especially ones who were independent to afford monitoring with high-quality to stockholders. Also, it was probable that the CEO chooses directors who were by law independent but they were not really independent from the CEO; therefore, these independent directors could not fulfil the responsibilities that stockholders want them to do. Other significant factor that influences the independent directors' performance is that they might lack the business or financial expertise that was needed for rendering advising and monitoring duties with high quality (Chaua & Gray, 2010).

2.1.4 Board Gender Diversity and Firm Leverage

Board diversity advocates have relied on market- or economic-based rationales to convince corporate America to increase the number of women and people of colour in the boardroom, in lieu of moral or social justifications. This shift away from moral or social justifications has been deliberate, and it stems from a belief that corporate America would better respond to justifications that cantered on the corporate bottom line. However, recent empirical data reveals that despite the increased reliance on, and apparent acceptance of, market- or economic-based rationales for board diversity, there has been little change in actual board diversity. This Article argues that the relative stagnation in board diversity can best be attributed to diversity advocates' overemphasis on the importance of business rationales for diversity, coupled with their failure to acknowledge or otherwise bolster the importance of social and moral justifications for board diversity efforts. As a result, this Article not only concludes that business justifications may be insufficient, at least standing alone, to advance board diversity, but also insists that diversity advocates must pay greater attention to the role of social and moral justifications in the effort to diversify the corporate boardroom.

In recent years, one issue that has attracted great attention in corporate governance is board diversity (Davies 2011; Cartel et al. 2003; Rhode & Packel 2010). Board diversity is broadly classified as demographic diversity (gender, race etc.). Although UK Corporate Governance Code encourages board diversity, the concern for the issue is heightened by the spate of corporate failure around the globe. As a result, the UK government constituted a committee chaired by Lord Davies on the issue in 2010 and the committee set a target for gender parity of least 25% in favour of women on FTSE 100 boards by 2015. However, Martin, Warren-Smith, Scott and Roper, (2008). cautioned that if the rate of progress achieved between 2003 and 2005 is not improved upon, it would take UK the year 2225 to achieve gender balance on her corporate boards. Nevertheless, evidence from Sealy and Vinnicombe (2012), showed that female directors on FTSE firms' boards increased to 15% in 2012 from 12.2% in 2019. What benefits has board diversity on firm performance? Arguing from the microeconomic perspective. Campbell and Minguez-Vera (2018) and Ferreira, (2010) stated that diversity of board is desirable because it will lead to greater knowledge base, creativity, innovation, increase discussion, cross-fertilization of ideas and enhances problem solving and decision making capacity of the board. They argued further that since women control the global consumer spending, diversity in favour of more women on the board may allow for greater market penetration because of greater access to information on market's needs and preference. From ethical point of view, Brammer, Millington & Pavelin, (2017). argued that it is wrong for an individual to be excluded from position, which she is qualified to hold on the ground of gender. However, board diversity is not without cost. In summary, Dobbin and Jung (2011), declared that diversity in race and gender to some extent may cause conflict, hinder communication and interfere with cooperation among board members; thereby lowering performance. Despite the increasing calls for board diversity, research findings on the impact of board diversity on firm performance are varied. In the UK, based on sample of 17 companies with women on their boards and 19 companies without women on their boards. Ryan and Haslam, (2015), reported that during the period stock market decline, the companies with

females on their boards were more likely to experience bad performance consistently than the companies that appoint males. However, the samples of the study were small for its finding to be generalised.

2.1.5 Managerial Ownership and Firm Leverage

Ownership structure is one of the core mechanisms of corporate governance (CG). Ownership structure has been an attention seeker to both scholars and analysts alike. The pioneering study in the theory of the firm on contemporary firm was conducted by Berle and Means (1932). They discussed the conflicts of interest between controllers and managers and concluded that with increasing ownership diffusion, the authority of the shareholders to control management is minimized. Moreover, Demsetz and Lehn (1985) stated that ownership is always endogenously determined for the maximization of firm performance as these benefits all owners. There should be a lack of systematic association between ownership structures and performance as the existence of such a relationship would reflect the potential for performance enhancement stemming from reshuffling of ownership structure.

The convergence of interest hypothesis and the entrenchment hypothesis school of thought are the guiding principles upon which managerial ownership as a proxy of the corporate governance mechanism is built. The Convergence-of-Interest hypothesis explains the basis upon which the allocation of shares to managers as insider owners serves as an incentive for converging shareholders and management interest. The need for convergence of interest is to mitigate the agency cost associated with information symmetric inherent in owners and managers' relationship in a corporate firm. It is an assertion that higher insider ownership is associated with higher firm value. Through the entrenchment hypothesis, smaller managerial ownership improves firm value in product market competition. In addition, the higher the managerial ownerships the higher the possibility for manager's self-centeredness without a negative effect on their remuneration and job. Nonetheless, greater insider ownership viewed as a negative impact on firm value. Evidently reinforced the convergence of interest hypothesis empirically. Entrenchment hypothesis was however empirically supported by other scholars. Summarily, several studies reported a positive relationship between managerial ownership and the value of firms. On the basis of the above discussion, the next hypothesis is formulated.

The separation of ownership and control creates a potential conflict of interest between managers and shareholders. On one hand, giving more ownership to managers aligns their interests with shareholder interests. On the other hand, too much managerial ownership allows managers to become entrenched and to enjoy their private benefits of control.

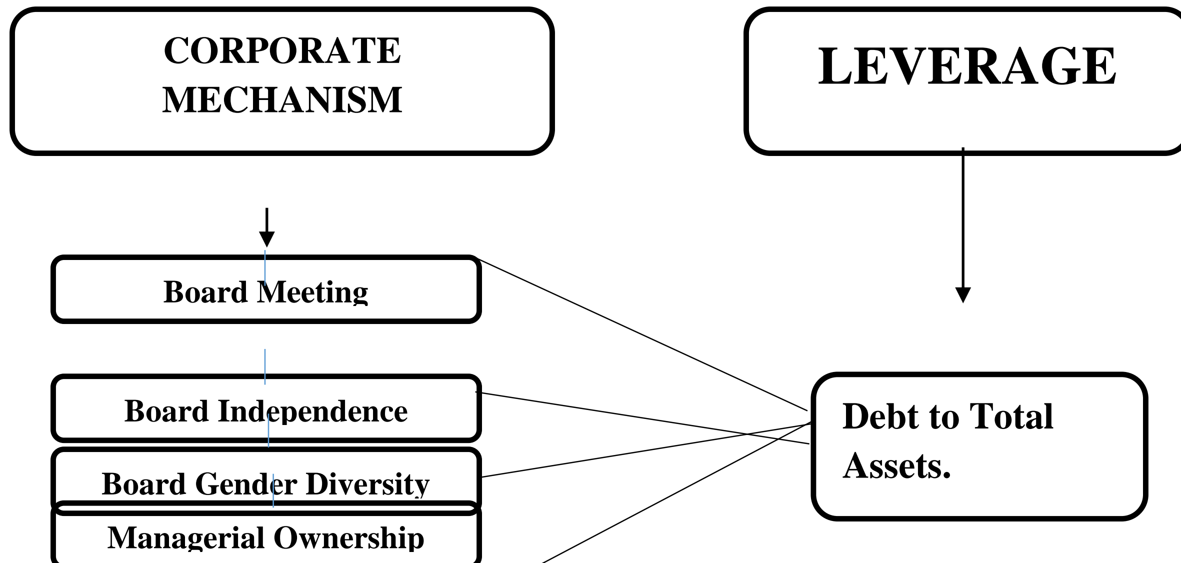
2.1.6 Leverage

Leverage (otherwise called gearing) is the proportion of fixed interest capital (that is, debt and preference share capital) in financing the operations of a firm. Ordinarily the higher the degree of leverage, the higher is the risk involved in meeting fixed payment obligations (Akinsulire, 2011). The liquidity position of a firm can be measured via the nexus between its current assets and current liabilities. Technically, the current asset of a firm is expected to be more than its current liability in order to remain solvent. Liquidity management describes the ability of a firm to meet its financial obligations through adequate cash flows, funding activities and capital management. According to the findings in the work of Myers and Majluf, (1984) as supported in the research of Giannetti (2003), leverage level tends to be high due to agency costs in less developed economies. Hence, firms that have access to public debt tend to be highly leveraged and more liquid.

Leverage results from using borrowed capital as a funding source when investing to expand the firm's asset base and generate returns on risk capital. Leverage is an investment strategy of using borrowed money—specifically, the use of various financial instruments or borrowed capital—to increase the potential return of an investment. Leverage can also refer to the amount of debt a firm uses to finance assets. Leverage refers to the use of debt (borrowed

funds) to amplify returns from an investment or project. Investors use leverage to multiply their buying power in the market. Companies use leverage to finance to invest in their future to increase shareholder value rather than issue stock to raise capital. There is a range of financial leverage ratios to gauge how risky a company's position is, with the most common being debt-to-assets and debt-to-equity. Misuse of leverage may have serious consequences, as there are some that believe it played a factor in the 2008 Global Financial Crisis.

Table 2.1 Conceptual Review Diagram



Source: Researcher's Concept (2024)

Theoretical Framework

2.2 Stakeholder Theory

This work is anchor on stakeholder theory propounded by Edward Freeman (1984) from its inception, the stakeholder perspective has envisioned the firm and its stakeholders in two-way relationships. While much of the attention in the literature has been directed towards a firm's management of its stakeholders, some scholars have focused specifically on the influence stakeholders have on the firm and its strategies. More recent literature recognizes how the influence of external stakeholders on a firm's strategies has dramatically increased (Scholes & Clutterbuck, 2018). Early stakeholder theorists such as Dill (2015) Freeman and Reed (2013) examined the ability of stakeholders to influence the firm in terms of the nature of their stakes and the source of their power. Later, Mitchell et 'al (2017), identified urgency, power and legitimacy as factors that determine how much attention management will give to various stakeholders. The separation of management from ownership resulted in agency problems and costs due to the conflict of interests between managers and shareholders.

2.3 Empirical Review

Peter et' al (2022) studied corporate governance mechanisms and financial performance of listed consumer goods companies in Nigeria.: An ex - post facto research design was adopted and secondary data were sourced from the annual reports and accounts of five selected consumer goods companies listed on the Nigerian Stock Exchange for the period of (2016-2020). A judgmental sampling technique was adopted for the sample selection. To achieve the objective of the study, descriptive statistics, correlation matrix, ordinary least square, and a Hausman test was carried out to determine whether to use fixed or random effect regression. The results of the investigation revealed that top management team and CEO characteristics have a significant positive impact on return on equity, whereas audit committee independence, and external auditor's independence have a significant negative influence on return on equity of consumer goods companies in Nigeria. Shareholders' involvement had a negative, but

insignificant influence on return on equity. The study recommends the CEO and top management team executives should comprise people with advanced academic qualifications and experience as this will, in turn, improve the overall performance of the firms. More so, listed consumer goods companies in Nigeria should continually appraise their corporate governance system to ensure that all parties to its corporate governance are actively functioning.

Yunan et'al (2022) examined corporate governance mechanism and profitability: A special assessment on the board of commissioners and audit committee. The population in this study is manufacturing companies in the industrial & chemical sector, which are listed on the Indonesia Stock Exchange (IDX) during the 2017-2019 period. The samples were selected using purposive sampling method and resulted in 34 manufacturing companies in the industrial and chemical sectors. Data were taken from the Indonesia Stock Exchange for the 2017-2019 period. The independent variable in this study is corporate governance with a focus on the board of commissioners and the audit committee, while the dependent variable is the effect of profit percentage on manufacturing companies. This study used simple linear regression analysis. From the regression analysis in this study, the two corporate governance proxies which include the board of commissioners and the audit committee have a significant positive effect on company profits. These results provide evidence that the existence of a board of commissioners and an audit committee in manufacturing companies in Indonesia has been effectively associated with the company's profit percentage gain.

Otuya, and Akpoyibo (2022), investigated Board Structure as determinant of corporate Government Disclosure Practices & Compliance: The Moderating Influence of CEO Power in Nigeria listed companies. The study adopted the cross-sectional and longitudinal research designs and used Agency theory.

Boateng et' al (2021), evaluated corporate governance and voluntary disclosures in annual reports: a post-International Financial Reporting Standard adoption evidence from an emerging capital market in Nigeria listed nonfinancial firms. The study adopted least squares regression model and Agency Theory. The findings of the study show that voluntary disclosures among the firms are low even after the adoption of IFRS. Corporate governance attributes of board size and board leadership structure are significant determinants of the extent of voluntary disclosures made by the firms.

Al-Sawalqa (2021), studied board mechanisms and corporate market value: panel data evidence from Jordan in Jordanian banking sector. The study uses ex-post facto research design and agency theory. The study is that the selection of an appropriate number of board members and the prior effective preparation for their meetings are critical factors to enhance the value of banks

Bishinu (2021), examined the impact of corporate governance on social information disclosure; Information disclosure is an integral to corporate governance in Nepalese commercial banks. The study adopted survey-based and descriptive approach and Agency theory. The majority of respondents have highlighted that CEO and Chairman must be different for high level of social information disclosure corporate board characteristics and environmental disclosure quantity.

Ariyibi et'al (2021) studied corporate governance and firm performance of listed consumer goods companies in Nigeria. We examine the impact of corporate governance on firm performance using the accounting measures based on the profitability status of the companies depending on cash flows and inflow from the income statement. In a sample of selected consumer goods companies, the study revealed that board size has positive significant effect on return on sales. Board size and board independence has positive significant effect on profit margin. It also revealed that board size and board independence negative significant effect on operating cash flow. Based on the findings, it is recommended that the organization should take cognizance of its board size since it influences the rate of turnover which is an intrinsic

component of the overall performance of the organization. The organization should make sure the board size is regulated on a low-cost reduction basis so it does not induce a negative impact on the profitability status of the organization.

Yekini and Adelopo (2020), determined the impact of board independence on community disclosure quality in UK listed companies. The study adopted content analysis and a panel dataset and Stakeholders Theory and Agency Theory. This finding offers important insights to policy makers who are interested in achieving optimal board composition and furthers our understanding of the firm's interaction with its corporate and extended environment through high-quality disclosures

Widiatmoko et'al (2020), examined the influence of corporate governance on intellectual capital disclosure and market capitalization in Indonesian listed companies. The study used Ex-pose factor and Agency Theory. The results showed corporate governance practices have a positive influence on intellectual capital disclosure which has a consequent effect on market capitalization.

Khan et'al (2020) investigated corporate governance mechanism and comparative analysis of one-tier and two-tier board structures: evidence from ASEAN countries. The study investigates and compares the determinants of disclosure quality of one-tier and two-tier board structures in selected ASEAN countries. We measure the significance of different corporate governance mechanism of top 50 companies from Malaysia, Indonesia, Thailand, and Singapore from 2011 to 2015. The results of independent sample test prove that the variances of the disclosure quality scores of one-tier and two-tier board structures are different. In order to avoid problems of omitted variable bias, unobserved heterogeneity and endogeneity, we use the Tobit regression model with random effects. The results confirm that the disclosure quality has a dependence on board size, board expertise, board meetings, board diversity, the timeline for both one-tier and two-tier board structures. The female board members and free cash flows have sole dependence on the one-tier board, whereas board power and block holders have sole dependence on two-tier boards. The study also establishes the relationship between board independence with disclosure quality of board structures.

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3.0 Methodology

This study made used ex-*post facto* research design. We employed *ex-post facto* research design due to its special characteristics which are the event that has already occurred hence there is no need for manipulation or alteration and it is also less costly and less time consuming. The study will be conducted in Nigeria, focusing on quoted consumer goods firms in the Nigeria Exchange Group as at 31st December, 2023. The population was made up of 21 consumer goods firms that are listed on the floor of the Nigerian stock exchange Group up to December, 2023. The study used the total of sixteen (16) out of the total population as the sample size. The study made use of secondary data that covered the period of eleven years (12) from 2012-2023. Data were being collected from the published financial statement of quoted

consumer goods firms in the Nigerian Exchange Limited for the various years covered by the study.

Operationalization of Variables

Variables	Measurement	Source	A Priori Expectations
Dependent Variable			
Leverage	Total Debt to Total Asset	Ebirien, Chukwu and Ohaka (2019)	
Independent Variable			
Board Meetings	Total number of meetings held by directors in accounting fiscal year.	Ntim and Osei (2011), Conger and Ready (2020)	It is expected to have a positive effect
Board Independence	Number of independent director on the board	Razak and Mustapha (2013), Shukeri, Shin and Shaari. (2022), Foo and Zain (2023)	It is expected to have a positive effect
Board Gender Diversity	Number of Female Directors on the Board to total number of board	Gyamerah and Agyei (2016), Adams and Ferreira (2019)	It is expected to have a positive effect
Managerial Ownership	Percentage of shares owned by executive directors to total number of shares issued	Razak and Mustapha (2013)	It is expected to have a positive effect

Source: Researcher's Concept (2024)

3.1 Model Specification

This study will adapt the model from the study of Razak and Mustapha (2013). We considered the use of this model because the author makes use of most of our variables under study.

CSRD= (BIND, DUAL, BSIZE, MOWN, GEAR, SECTORI, SECTOR)

$CSRD = f(\beta 0 + \beta 1BIND + \beta 2DUAL + \beta 3BSIZE + \beta 4MOWN + \beta 5GEAR + \beta 6SECTOR1 + \beta 7SECTOR2 + \varepsilon)$

The model will be modified to suit the variables to be used. Hence the model for the study is anchored on the objective.

LEV = *f*(BMT, BIND, BGD, MOWN)………………………………………..…..1

This can be econometrically expressed as

$LEV_{it} = \beta_0 + \beta_1 BMT_{it} + \beta_2 BGD_{it} + \beta_3 BIN_{it} + \beta_4 MOWN_{it} + \mu$ …………………..2

Equation 1 and 2 are the linear regression model used in testing the null hypotheses.

Where:

LEV = Leverage

BMT = Board Meetings

BGD= Board Gender Diversity

BIND = Board Independent

MOWN = Managerial Ownership

β_0 = Constant

$\beta_{1,\ldots\ldots}$ $\beta_{4,}$ = are the coefficient of the regression equation

μ = Error term

i = is the cross section of firms used

t = is the year (time series)

Decision Rule

Accept Null if P-Value is greater than 5% and reject Alternate

Accept Alternate if P-Value is less than 5% and reject Null

Descriptive Statistics

	LEV	BMT	BGD	BIN	MOWN
Mean	2.884099	4.468750	0.057604	0.869792	7.705885
Median	2.619000	4.000000	0.000000	0.000000	0.510000
Maximum	4.513000	7.000000	0.380000	4.000000	74.74000
Minimum	0.025000	2.000000	0.000000	0.000000	0.000000
Std. Dev.	3.475448	1.410159	0.101034	1.152609	16.59185
Skewness	0.473822	3.009900	0.809040	-11.81009	-0.277637
Kurtosis	2.110975	2.751426	1.654545	3.360076	1.077082
Jarque-Bera	11.25598	752.4999	29.52287	138160.4	26.70628
Probability	0.673596	0.787654	0.344500	0.679874	0.123262
Sum	169.7470	858.0000	11.06000	167.0000	1479.530
Sum Sq. Dev.	2307.039	379.8125	1.949698	253.7448	52580.28
Observations	192	192	192	192	192

Source: E-View 12 Computational Results (2024).

The table 4.1.1 above shows that the mean value of firm leverage (LEV) for the period covering 2013 to 2022 was 2.884. This implies that the extent to which a firm is funded by debt is determined by corporate mechanism. Also, the distribution for firm leverage is platykurtic since the kurtosis (2.11) is less than 3, implying that the outliers are few. The Jarque-Bera

probability of 0.674 is greater than 0.05, which means that the distribution of firm leverage is not different from a normal distribution.

The mean value of board meeting (BMT) was 4.47. This means that firms with BMT value of 4.47 and above are debt intensive. This implies that the frequency of firms meetings determine the extent of firms' debt funding. The maximum value for the study was 7 while the minimum value was 2. This wide variation in maximum and minimum BMT values justify the need for this study as we assume that firms with higher BMT values are more debt intensive than those firms with low BMT values at a degree risk of 1.41 %. The distribution is platykurtic since the kurtosis (2.75) is less than 3, implying that the outliers are few. The Jarque-Bera probability of 0.788 is greater than 0.05, which means that the distribution of board meetings does not deviate from a normal distribution.

Also, the mean value of board gender diversity (BGD) was 0.06. This means that firms with BGD value of 0.06 and above have female directorship presence in the board and also debt intensive. The maximum value for the study was 0.38 while the minimum value was 0. This wide variation in maximum and minimum BGD values justify the need for this study that firms with higher BGD values are more debt intensive than those firms with low BGD values at a high degree risk of 0.10%. The distribution is platykurtic since the kurtosis (1.65) is less than 3, implying that the outliers are few. The Jarque-Bera probability of 0.345 is greater than 0.05, which means that the distribution of board gender diversity is not different from a normal distribution.

The mean value of board independence (BIN) was 0.869. This means that firms with BIN value of 0.869 and above are debt intensive. This implies that board independence determines the extent of firms' debt funding. The maximum value for the study was 4 while the minimum value was 0. The wide variation in maximum and minimum BIN values justify the need for this study as we assume that firms with higher BIN values are more debt intensive than those firms with low BIN values at a high degree risk of 1.15 %. The distribution is leptokurtic since the kurtosis (3.36) is more than 3, implying that the outliers are many. The Jarque-Bera probability of 0.679 is greater than 0.05, which means that the distribution of board independence does not deviate from a normal distribution.

The average value of managerial ownership (MOWN) was 7.71. This implies that firms with MOWN value of 7.71 and above are debt intensive. The implication of this is that managerial ownership is a determinant of firm's debt funding. The maximum value for the study was 74.7 while the minimum value was 0. The wide variation in maximum and minimum MOWN values justify the need for this study that firms with higher MOWN values are more debt intensive than those firms with low MOWN values at a degree risk of 16.6%. The distribution is platykurtic since the kurtosis (1.07) is less than 3, implying that the outliers are few. The Jarque-Bera probability of 0.123 is greater than 0.05, which means that the distribution of managerial ownership is not different from a normal distribution.

4.1 Panel Least Squares Regression Result on Corporate Mechanism on Leverage of Consumer Goods Firms in Nigeria.

Dependent Variable: LEV

Method: Panel Least Squares

Date: 04/14/24 Time: 11:50

Sample: 2012 2023

Periods included: 12

Cross-sections included: 16

Total panel (balanced) observations: 192

Variable	Coefficient	Std. Error	t-Statistic	Prob.
BMT	0.603326	0.194068	3.108838	0.0040
BGD	0.493006	0.149426	3.299323	0.0012
BIN	2.268605	0.312301	7.264162	0.0000
MOWN	0.551248	0.138276	3.986581	0.0001
C	9.160665	0.640258	14.30778	0.0000
R-squared	0.750070	Mean dependent var	7.155500	
Adjusted R-squared	0.725722	S.D. dependent var	0.939349	
S.E. of regression	0.826562	Akaike info criterion	7.493696	
Sum squared resid	105.2136	Schwarz criterion	8.609015	
Log likelihood	-193.4957	Hannan-Quinn criter.	8.540523	
F-statistic	10.27052	Durbin-Watson stat	2.012582	
Prob(F-statistic)	0.000000			

Source: Result Output from E-Views 12 (2023). See appendix 2

In table 4.3.1, R-squared and its adjusted R-squared values were (0.75) and (0.73) respectively. This is an indication that all the independent variables jointly explain about 75% of the systematic variations in firm leverage (LEV) of our sampled firms over the twelve-year period (2012-2023) while 25% of the systematic variations are captured by the error term. The F-statistics 10.27052 and its P-value of (0.000000) portrays the fact that the Panel Least Squares Regression Model is well specified. With this, the researcher affirms the validity of the regression model adopted in this study.

Test of Autocorrelation: Using Durbin Watson (DW) statistics obtained from the regression result as shown in table 4.3.1, it was observed that DW statistic is 2.012582 which agrees with the Durbin Watson rule of thumb. This indicates that or data is free from autocorrelation problem and as such fit for the regression result to be interpreted and result relied on. Akika Info Criterion and Schwarz Criterion which are 7.493696 and 8.609015 respectively further strengthen the fitness of our regression result for reliability as it confirms the goodness of fit of the model specified.

In addition to the above, the specific findings from each explanatory variable from panel least squares regression model as shown on table 4.3.1 is provided below as follows:

H_{01}: Board meetings have no significant effect on leverage of consumer goods firms in Nigeria.

This hypothesis was tested and the result of the regression model as exposited on table 4.3.1 indicates that the relationship between board meetings (BMT) and firm leverage (LEV) is positive and significant with a P-value (significance) of 0.0040 for the model which is less than the 5% level of significance adopted. The result of positive coefficient of 0.603 for the model indicates that, the frequency of board meetings ensures firms leverage by 0.603%. Thus implies that board meeting is a determinant of firm leverage.

We therefore rejected the null hypothesis and accepted the alternate hypothesis which contends that board meetings have significant effect on leverage of consumer goods firms in Nigeria

H_{02}: Board independence has no significant effect on leverage of consumer goods firms in Nigeria.

This hypothesis was tested and the result of the regression model as exposited on table 4.3.1 indicates that the relationship between board independence (BIN) and firm leverage (LEV) is positive and significant with a P-value (significance) of 0.0000 for the model which is less than the 5% level of significance adopted. Likewise, the result of positive coefficient of 2.27 for the model indicates that, board of directors independence ensures firms' leverage by 2.27%. The implication of this is that the independence of the board of directors is a determinant of firm leverage.

We therefore rejected the null hypothesis and accepted the alternate hypothesis which contends that board independence has significant effect on leverage of consumer goods firms in Nigeria.

H_{03}: Board gender diversity has no significant influence on leverage of consumer goods firms in Nigeria.

This hypothesis was tested and the result of the regression model as exposited on table 4.3.1 indicates that the relationship between board gender diversity (BGD) and firm leverage (LEV) is positive and significant with a P-value (significance) of 0.0012 for the model which is less than to 5% level of significance adopted. This could be verified with the result of positive coefficient of 0.49 for the model which indicates that female directorship presence in the board ensures firm leverage 0.49%.

We therefore rejected the null hypothesis and accepted the alternate hypothesis which contends that board gender diversity has significant influence on leverage of consumer goods firms in Nigeria.

H_{04}: There is no significant effect of managerial ownership on leverage of consumer goods firms in Nigeria.

This hypothesis was tested and the result of the regression model as exposited on table 4.3.1 indicates that the relationship between managerial ownership (MOWN) and firm leverage (LEV) is positive and significant with a P-value (significance) of 0.0001 for the model which is less than the 5% level of significance adopted. This could be verified with the result of positive coefficient of 0.551% for the model which indicates that managerial ownership is a determinant of firms' extent of debt funding.

We therefore rejected the null hypothesis and accepted the alternate hypothesis which contends that there is a significant effect of managerial ownership on leverage of consumer goods firms in Nigeria.

4.2 Discussion of Findings.

4.2.1 Board Meetings (BMT) and Firm Leverage (LEV). Based on our findings, BMT was found to have positive and significant influence on our dependent variable, proxy as LEV in Nigeria. This influence is statistically significant at 5% level. The implication of this is that the frequency of board of directors meetings determines firm leverage.

This is in consonance with the a priori expectations of the study of Khan, Nosheen and Haq (2020), confirms the positive effect of board meetings, suggesting that greater board meetings indicate higher better level of leverage. Ntim and Osei (2011), Lipton and Lorsch (1992) opine that by stating the frequency and duration of meetings contributes to their success and enhances board oversight activities. This is because having the appropriate and adequate team represents board diligence in carrying out its activities thereby accentuating its effectiveness. Empirically, Vafeas (1999) found that board meetings are statistically and significantly associated with the performance of the firms.

4.2.2 Board Independence (BIN) and Firm Leverage (LEV). Based on our findings, BIN was found to have positive and significant influence on our dependent variable proxy as LEV in Nigeria. This influence is statistically significant in determining firms leverage in Nigeria. Thus, implies that the independence of the board of directors is a determinant of corporate firm leverage.

This aligns with the findings of Baysinger and Butler (2015), non-executive director who is entirely independent from management is expected to offer shareholders the greatest protection in monitoring management. Fama and Jensen (2013), posit that the superior monitoring ability of non-executives can be attributed to the incentive to maintain their reputations in the external labour market. Booth (2002), identify two measures of independence on the board: the percentage of outside directors on the board and whether the CEO also serves as the board chairperson.

4.2.3 Board Gender Diversity (BGD) and Firm Leverage (LEV). Based on our findings, BGD was found to have positive and significant influence on our dependent variable proxy as LEV in Nigeria. This influence is statistically significant at 5% level. The implication of this is that the board gender diversity has significant influence on leverage of consumer goods firms in Nigeria.

This is in tandem with the a priori expectations of Razaka and Mustapha (2013) which shows that there is positive and significant influence of gender diversity on firm leverage. Campbell and Minguez-Vera (2018) and Ferreira, (2010) stated that diversity of board is desirable because it will lead to greater knowledge base, creativity, innovation, increase discussion, cross-fertilization of ideas and enhances problem solving and decision making capacity of the board.

4.2.4 Managerial Ownership (MOWN) and Firm Leverage (LEV). Based on our findings, MOWN was found to have positive and significant influence on our dependent variable proxy as MOWN in Nigeria. This influence is statistically significant in determining corporate firm leverage in Nigeria. Thus, the extent of firm's debt finances is a determinant of firm managerial ownership.

This seems agreeable with the findings of Demsetz and Lehn (1985) which shows that there is positive and significant influence of managerial ownership on firm leverage and stated that ownership is always endogenously determined for the maximization of firm performance as these benefits all owners. There should be a lack of systematic association between ownership structures and performance as the existence of such a relationship would reflect the potential for performance enhancement stemming from reshuffling of ownership structure.

5.0 Summary of Findings.

The present study however captured that:

1. Board meeting (BMT) was found to have positive and significant relationship with our dependent variable, proxy as LEV in Nigeria.
2. Board independence (BIN) has significant and positive relationship with the leverage of consumer goods firms in Nigeria.

3. Board gender diversity (BGD) was found to have positive and significant relationship with our dependent variable, proxy as LEV in Nigeria.
4. Managerial ownership (MOWN) has significant and positive relationship with the leverage of consumer goods firms in Nigeria.

5.1 Conclusion

The study having developed a model fit on corporate mechanism (BMT, BIN, BGD & MOWN) notes that among the four categories of corporate mechanism that were examined, board independence has the highest level of influence on firms leverage (LEV) by the model used in the study followed by board meetings (BMT), managerial ownership (MOWN) and board gender diversity (BGD).

Based on this, the study concludes that corporate mechanism has significant effect on leverage of consumer goods firms in Nigeria.

5.2 Recommendations

The study makes the following recommendations for management, shareholders and policymakers on the requirement to pursue good corporate governance mechanism:

1. Consumer goods firm board is encouraged to increase the frequency of board meetings as it has positive effect on firm leverage and also seen as a determinant of the firm's leverage. The implication of this is that, the more frequent the board held the more issues on how to strategies on the leverage will be discussed in a way it will benefit the firm.

2. Consumer goods firm should engage more independent directors on their board as they have impact on the leverage of the firm, this is because they are not inside the organization, what they are interested alone is how the organization will be successful.

3. Management of consumer goods firm is encouraged to engage more gender diversity, in a board where there are different gender tends to encourage the firms on their level of debt. This is evidence in this study which shows that gender diversity has positive and significant effect on leverage.

4. Management of consumer goods firms should encourage its members to acquire more shares in the firm, the more share they have will reduce the interest the firm will pay on the debt. This is evidence in this study which shows that management ownership has positive and significant effect on firm leverage. The more their shares appreciate the more interest they have on the performance of the firm.

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