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RESEARCH ARTICLE

CORPORATE GOVERNANCE MECHANISMS AND INVESTORS' CONFIDENCE OF LISTED CONSUMER GOODS COMPANIES IN NIGERIA

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Abstract: In recent years, corporate governance has received increased attention because of high-profile scandals involving abuse of corporate power and, in some cases, alleged criminal activity by corporate officers. Several multinational companies have been exposed to the worst corporate scandals as a result and it is believed that these mechanisms make investors to view organizations in diverse ways. On this note, this study investigated the effect of corporate governance mechanisms on investors' confidence of listed consumer goods companies in Nigeria. Corporate governance mechanisms used in the study were; board size, board gender diversity and board independence while investors' confidence was measured using earnings multiple. The population of this study was 21 consumer goods companies listed on the Nigerian Exchange Group (NGX) while 18 consumer goods companies were the final sample size after employing purposive sampling technique. Secondary data were extracted from the annual reports of these companies and analysed using panel least square regression techniques. The results of the analysis revealed that board size and board gender diversity have significant negative effect on earnings multiple of the companies under study, while board independence has no significant effect on earnings multiple of these companies. Thus, it was concluded that corporate governance mechanisms have varying levels of effect on investors' confidence, and it was recommended that companies should advocate for smaller board size and a less gender-diverse board in order to improve their investors' confidence.

Keywords: *Corporate governance, investors' confidence, earnings yield, board size.*

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INTRODUCTION

In recent years, corporate governance has received increased attention because of high-profile scandals involving abuse of corporate power and, in some cases, alleged criminal activity by corporate officers. Corporate governance is of paramount importance to a company and is almost as important as its primary business plan. When executed effectively, it can prevent corporate scandals, fraud, civil and criminal liability of the company. It also enhances the confidence of investors. Corporate governance is one of the factors that determine the health of an organization and its ability to survive economic shocks. The health of the organisation depends on the underlying soundness of its components and the connections between them (Ranti, 2020).

Corporate governance is concerned with the ways in which a firm safeguards the interests of its financiers (investors, lenders, and creditors) whilst maintaining a level of profitability. Although codes of corporate governance may differ as dictated by its goals which vary from country to country, there is a confluence of opinion that effective corporate governance relates to the promotion of the interest of shareholders and stakeholders of a company. Gill and Obradovich (2012) argued that corporate governance helps managers to focus on improving the firm's performance. Therefore, sound corporate governance is required by every firm to enhance its market value. Effective corporate governance usually facilitates an efficient monitoring process that helps companies to wisely exploit their own resources and prevents any manipulation, distortions or deceit that could lead to asymmetry in information. This can be done through the application of robust supervision and control mechanism of corporate governance such as robust board size, board diversity and board independence, audit committee effectiveness and robust board meetings.

Board size has to do with the number of directors serving on the board of a firm. The corporate governance code states that the board will be of a sufficient size relative to the scale or complexity of the company's operations and be composed in such a way as to ensure diversity of experience without compromising independence, compatibility, integrity and availability of members to attend meetings. According to Fuzi, *et al.,* (2016), independent directors are directors that are not full-time employees as compared to the executive directors who are full-time employees and are involved in the day-to-day operation of the company.

The code of corporate governance issued by CBN (2018) asserts that the majority of the board members will be non-executive directors, and at least two (2) non-executive board members will be independent directors. Diversity of the board entails the composition of the board in terms of gender skills and capabilities. The presence of women in the board room ensures women are given equal rights and opportunity as women are better in decision making. Board diligence refers to a regular formal gathering of a board of directors to discuss strategic matters of a company, which include corporate policies and issues and performance reports and future prospects of the company. This shows that board effectiveness is rated by the frequency of its meeting (Emiaso & Okafor, 2023).

Investors' confidence is a crucial element of success for any company because the financial strength of the company depends largely on investor' confidence (Charles & Uford, 2023). If the investors' confidence is high, the share price of the company soars. If it weakens, the value of the stock plummets. The management and administration of companies, otherwise called corporate governance impacts heavily on the confidence of investors of the companies. Therefore, the quality of corporate governance is a key issue for the investors in view of their investments in the companies. Yaseen and Amarneh (2022) posit that corporate governance issue can have an effect on various aspects of a firm's management including the performance management, earnings management, capital structure and market value. A company with a good corporate governance level can help reduce business risks, increase shares value and thus boost the investors' confidence.

This is attributed to the important role corporate governance can play which is reflected in an implied value of the share price. Hamdan *et. al.,* (2019) claimed that investors increase or decrease their investments based on good or bad governance of the firm as investors believe that benefits of holding cash to finance future projects offset the potential agency costs associated with it. Thus, good corporate governance sends signal to the investor's that their investments are not exposed either to operational risk or financial risk that are capable of grounding their investment.

Several multinational companies have been exposed to the worst corporate scandals as a result of weak corporate governance mechanism; this can be as a result of poor mix of governance mechanism such as board size, board diversity, board independence, and gender diversity. Where any of these mechanisms is deficient, the effectiveness of the board of directors becomes questionable and the market can react adversely to these inefficiencies. Against this backdrop, the Securities and Exchange Commission (SEC) set up a Committee on Corporate Governance which drew the first Nigerian Code of Corporate Governance Practice in 2003.

The intendment of the codes to establish high standards of corporate governance was ideally based on voluntary compliance with the dictates in an environment of transparency and openness. The absence of enforcement capacity of the codes has fueled the existing insensitivity of the regulatory institutions whose responsibility it is to ensure compliance to the code. Thus, outcome of this is occasioned by constant dwindling in the market prices of shares because of lack of trust and confidence by investors. Investors doubt financial information, the capital market, the integrity and efficiency of public companies. The collapse of many companies due to corporate governance negligence has influenced the rate at which investors want to invest in a company.

Previous empirical studies revealed that most of the studies on corporate governance focused its effect on other factors such as earnings managements, profitability, firm value, risk disclosures and capital structure (Almatori *et. al.,* 2022; Habtoor, 2022). It was found out that most of the empirical studies did not cover a period up to the most recent year being 2022 and this study captured up to this period.

Unfortunately, these previous studies failed to reach a consensus on the effect of corporate governance on corporate performance as some researchers established a positive effect, others negative effect while some did not even find any effect or relationship existing between these variables. Sequel to these gaps, the study was undertaken to ascertain the effect of corporate governance on investors' confidence of selected consumer goods firms in Nigeria.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Corporate Governance

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

The presence of strong governance standards provides better access to capital and aids economic growth. Properly designed rules of governance will focus on implementing the values of fairness, transparency, accountability, and responsibility to both shareholders and stakeholders. In order to be effectively and ethically governed, businesses need not only good internal governance, but also must operate in a sound business environment (Youssa, *et. al.,* 2021). Business environment itself will obviously be both the promoter and the beneficiary of corporate governance. The major aim of corporate governance is to ensure the efficient use of resources to reduce corporate fraud and mismanagement, in order to maximize and align the interest of all stakeholders. Corporate governance improves corporate performance, which will inspire confidence on investors, liberalization of financial markets and improvement of the basis for the establishment of a new corporate value system.

Investors' Confidence

Investor's confidence has been a long-standing subject of interest among financial market observers, participants, researchers, and regulators. Investors' confidence is defined as the investors' willingness to engage in the investment opportunities and associated intermediation channels available to them based on their perception of risks and returns (Guiso, *et. al.,* 2022). It refers to the belief and trust that investors have in the fairness, efficiency, stability, and integrity of the financial systems where securities are bought and sold (Uford, 2017).

This confidence is vital for the functioning of capital markets and the allocation of resources (Singh & Rastogi, 2023). Several factors influence investor confidence in capital markets and these includes regulatory framework, corporate governance mechanisms, transparency and disclosure, market integrity, market accessibility and market infrastructure.

Investors have confidence when capital markets are governed by robust and transparent regulations. Regulatory oversight provides assurance that the market operates within established rules, protecting investors from fraud, manipulation, and unfair practices. Transparent and timely disclosure of relevant information by companies listed on the exchanges enhances investor confidence. Clear reporting of financial performance, risks, and corporate governance practices allows investors to make informed decisions.

The earnings multiple, often represented as the price-to-earnings (P/E) ratio, is a measure of investors' confidence in a company's future earnings and growth prospects. Earnings multiple serves as a measure of investor confidence because it encapsulates expectations for future earnings, perceptions of risk, comparative valuation within an industry, market sentiment, investor perception of management and strategy, considerations of long-term investment horizon, and the broader economic and market environment. Mathematically, earnings multiple is derived as;

$$\text{Earnings multiple} = \frac{\text{Market Price per Share}}{\text{Earnings Per Share}}$$

Board size and Investors' Confidence

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

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

A larger board may provide better oversight and governance, potentially enhancing investor confidence in the company's decision-making processes. According to Madi *et. al.,* (2023) the size of a company's board of directors can influence investors' confidence through its perceived effectiveness, expertise, alignment with shareholders, dynamics, governance, representation, and accountability. Mandal and Al-Ahdal (2018) in their study observed that board size positively and insignificantly affected the earnings multiple of electronic consumer goods in India. Naveed *et. al.,* (2020) in their study disclosed that board size is negatively related with return on asset and return on equity of conventional banks in Pakistan. Youssa *et. al.,* 2021 found that board size in an indicator of the quality of the board of directors. Thus based on these varying findings, it was hypothesized that;

H_{01}: Board size does not have any significant effect on earnings multiple of listed consumer goods companies in Nigeria

Board Independence and Investors' Confidence

Board independence in corporate governance refers to having a board of directors that is free from any undue influence or conflicts of interest, and allowing them to make impartial decisions in the best interests of the company and its stakeholders (Peter et al., 2022) Independent directors are individuals who do not have any material relationship with the company, its management, or significant shareholders that could potentially compromise their ability to act independently (Nwaebun et al., 2023).

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

According Yinusa et al., (2012) their independence from management can lead to more robust governance practices, including diligent oversight of management decisions and strategic direction. This can foster greater trust and confidence among investors in the board's ability to represent shareholder interests effectively. Enoidem et al., (2023) opined that independent directors are typically focused on representing the interests of shareholders and ensuring that management acts in their best interests. Some studies have shown that independence directors increase the earnings multiple of firms (Ahmed & Hand, 2015; Khalifa *et. al.,* 2020). However, other studies disclosed that independence directors decrease the earnings multiple of firms (Ranti 2020; Fuzi *et. al.,* 2016). Based on this varying findings from previous studies, it was hypothesized that;

H_{02}: Board independence does not have any significant effect on earnings multiple of listed consumer goods companies in Nigeria

Board Diversity and Investors' Confidence

Board diversity is the mix in the composition of the board in terms of gender, age, cultures, skills and capabilities. It relates to the range of backgrounds, demographics, skills, competencies, and experiences that the board of directors possesses. There are many proxies of board diversity, such as gender, nationality, ethnicity, and race. This study focused on the board gender diversity and specifically equal representation of male and female in the board of directors of companies.

The Nigerian Code of Corporate Governance (2018) recommends the inclusion of women in the board as a way of promoting board diversity for the purpose of better decision-making and effective governance. Some countries have gone ahead to introduce quotas for women inclusion in the board. Gender diversity provides sustainable competitive advantage, which can improve earnings multiple of a company. When women are on the board compared to men, they possess different knowledge, experience and preferences.

Further, they exhibit distinct cognitive frames due to differences in their experiences and knowledge, related to education (Habtoor, 2022), these will improve earnings multiple. As managers, women have specific leadership quality and having different dynamics to leadership teams than men, and more control oriented towards the people they are monitoring (Adams & Ferreira, 2009). This attributes added to the affect earnings multiple positively. Abdullah et al., (2016) found a positive relationship between gender diversity and share price performance. On the other hand a negative relationship between gender diversity and investors' confidence was found by Adams and Ferreira (2009); while Haslan et al., (2010) found no effect. Thus based on this varying findings it was hypothesized that;

H_{02}: Board diversity does not have any significant effect on earnings multiple of listed consumer goods companies in Nigeria

Theoretical framework

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

Jensen and Meckling (1976), posit that in terms of corporate organizations, agency theory involves a contract under which the shareholders engage the managers to perform some service on their behalf, which includes delegating some decision-making authority to the managers. Agency theory assumes that managers are opportunists who will satisfy self rather than maximize profit on behalf of the shareholders yet their specialized knowledge to generate wealth are highly in demand by shareholders. From the agency theory perspective, managers are responsible for conducting business in the interest of the firm, and that a manager's own self-interests will never align completely with the interests of the firm (Hamdan *et. al.*, 2019).

Thus the board of directors is instituted to monitor, control and supervise the activities of management so that they can align with shareholders' interest. Agency theory supports this study because board of directors, especially the ones with most outside independent, well sized and well diversified; monitor the actions of managers to protect the interests of owners, thereby improving the investors' confidence. When the governance mechanism is strong and effective, the firm is bound to operate effectively and all the systems within the organization will align with common objectives of the firm.

This automatically improves the market perception of the company and thus the investors' confidence.

Empirical Framework

Okpo *et. al.,* (2024) carried out a study to ascertain whether the disclosure of information on environmental policies will engender the confidence of investors in the capital market. Content analysis was used to extract information from annual reports of the selected companies for the years 2016 to 2022. The results of analysis indicate that the environmental replenishment policy disclosure, waste management policy disclosure and carbon emission management policy disclosure exhibited significant positive relationship with market capitalization of the firms.

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

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

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

Muhammad *et. al.,* (2023) examined the effect of corporate governance on performance of banks in Pakistan for the period. This study used panel estimation technique to quantify the impact of various elements of corporate governance on bank performance. Annual data of 19 Pakistan banks were taken for the period 2013 to 2020.

The findings of the study revealed that the size of board and audit committee both significantly improved profitability and productivity, whereas they decrease technical efficiency (TE). Udoh *et. al.,* (2023) examined the relationship between board committees' independence and financial performance of listed non-finance firms in Nigeria. Findings revealed that audit committee independence significantly influence the performance of non-finance companies in Nigeria; Risk committee independence significantly influence the performance of non-finance companies in Nigeria and remuneration committee independence negatively influence the performance of non-finance companies in Nigeria.

Nwaebuni *et. al.,* (2023) centered on the relationship between corporate governance and the financial performance of banks in Nigeria, specifically focusing on five selected banks: First Bank Plc, United Bank of Africa Plc, Guarantee Trust Bank Plc, Zenith Bank Plc, and Fidelity Bank Plc. The study found that the composition of the board, encompassing both the Board of Directors and Board Size, did not have a significant impact on the financial performance of these firms.

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

METHODOLOGY

Research Design

This work adopted the *ex-post facto* research design in examining the effect of corporate governance on investors' confidence of listed consumer goods firms in Nigeria. The choice of the *ex-post facto* research design was due to the fact that this research made use of data extracted from secondary sources.

The population of this study was made up of all the listed consumer goods companies in Nigeria and purposive sampling technique was adopted to select 18 companies. The data used in this study were secondary data and they were obtained from the annual report of the sampled companies and the Nigeria Exchange group Fact book. Panel Least Square Regression Analysis was employed in analyzing the data set. The researcher employed Spearman Rank Correlation Coefficient because of rank-ordering causing outliers to contract toward the centre of the distribution (Gauthier & Kupka, 2001) hence controlling for the inflation of the Type I error which the Pearson Correlation Coefficient cannot control. This study employed analytical software of E-views version 10 and Microsoft excel for the analysis.

Model Specification

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

$$EMUP_{it} = \beta_0 + \beta_1 BODZ_{it} + \beta_2 BOGD_{it} + \beta_3 BODI_{it} + \mu_{it} \quad \text{.........(1)}$$

Where:
EMUP=Earnings multiple
BODZ =Board size
BOGD =Board gender diversity
BODI =Board independence
B_0 = Constant
B_1- B_3 = Slope Coefficient to be determined in the study
μ =Stochastic disturbance
i =i^{th} firm
t =time period

Table 1: Operationalization of the variables

S.No.	Variables	Measurement	Source	Approiri expectation
1	Earnings multiple (Dependent)	Ratio of market price per share to earnings per share	ICAN 2022	
Independent variables				
2	Board size	Total number of all directors of a company	Rajecvan and Ajward (2020)	+
3	Board gender diversity	Ratio of female directors to total directors in the board	Rajecvan and Ajward (2020)	+
4	Board independence	Ratio of non-executive directors to total directors in the board	Tolossa *et. al.*, (2021)	+

Source: Researcher's operationalization (2024)

ANALYSIS AND DISCUSSION OF FINDINGS

Descriptive Statistics

Table 2: Descriptive statistics of the effect of corporate governance mechanisms on investors' confidence of listed consumer goods companies in Nigeria

	EMUP	BODZ	BOGD	BODI
Mean	3.481114	10.27222	0.155733	0.197385
Median	6.451199	10.00000	0.166667	0.166667
Maximum	4109.736	17.00000	0.571429	0.692308
Minimum	-13255.20	4.000000	0.000000	0.000000
Std. Dev.	1098.771	2.756061	0.117796	0.210816
Skewness	-9.327353	0.241639	0.449208	0.735434

Kurtosis	120.7278	2.502739	2.986834	2.307901
Jarque-Bera	106558.8	3.606200	6.054938	19.81838
Probability	0.000000	0.164787	0.048438	0.000050
Sum	626.6006	1849.000	28.03198	35.52938
Sum Sq. Dev.	2.16E+08	1359.661	2.483770	7.955366
Observations	**180**	**180**	**180**	**180**

Source: E-views 10 output (2024)

Table 2 above shows the descriptive statistics of all variables used in this study. From the left, we have earnings multiple (EMUP) to Board diligence (BODD). For earnings multiple, on average, firms in the consumer goods sector had 3.48 times their earnings per share (EPS), the minimum however, was -13255.2 times, highest was 4109.7 times and standard deviation was 1098.8 times.

These show that the earnings multiple in the sector was high as of the study period and that investors would pay premium for companies' current earnings. Board size (BODZ) displayed an average of about 10 members on the board of directors in the consumer goods sector. The lowest recorded was 4 directors only while the highest ever was 17 directors. Next variable was board gender diversity (BOGD) of which the sector average was about 15.6%. The lowest ratio of female directors to total directors was 0%; meaning no female director and the highest was about 57% (more than half). Companies' board gender diversity values were different from each other with 12% variability.

Thus, the sector was characterized by rare gender diverse boards. Moreso, board independence (BODI) was relatively high in the sector. Also, the variability was not too high and most companies didn't have independent directors (standard deviation = 21%). On average, consumer goods companies have independent non-executives to be about 20% of the board population.

Correlation Analysis

Table 3: Correlation matrix for the relationship between corporate governance mechanisms on investors' confidence of listed consumer goods companies in Nigeria

	EMUP	BODZ	BOGD	BODI
EMUP	1.000000			
BODZ	-0.288419	1.000000		
BOGD	-0.219281	-0.054697	1.000000	
BODI	-0.129950	0.322567	0.362259	1.000000

Source: E-views 10 output (2024)

Table 3 above presents the correlation matrix for the variables of this study. All variables had perfect correlation with themselves with 1.000000 as coefficient. Board size (BODZ) had a weak negative correlation with earnings multiple (EMUP) with -0.288419 as coefficient; board gender diversity (BOGD) also showed a weak negative correlation with -0.219281 as coefficient as well as board independence (BODI) with 0.129950.

Regression Analysis

Panel Fixed and Random Effect Testing

As noted by Ajibolade and Sankay (2013), the fixed-effects model which is often the main technique for analysis of panel data does not account for heterogeneity in both the intercept and the slope. It accounts for individual heterogeneity only in the intercept. On the other hand, the random-effects model accounts for individual heterogeneity in both the intercept and the slope.

In the light of the foregoing, this study employs the panel fixed and random effect regression to control the heterogeneity effect that is present in the models. To determine which one is suitable, the Hausman test was be used.

Hausman Test

The null hypothesis is that random effect model is suitable for the study and the alternate is that fixed effect model is suitable. The test is presented thus;

Table 4: Correlated random effects - Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	5.060039	5	0.4086

Source: E-views 10 output (2024)

The Hausman test shows a p value of 0.4086 (greater than 0.05). So, the null hypothesis is accepted that Random Effects model is suitable for the hypotheses testing.

Random Effects Model (REM) Regression

Table 5: Regression analysis for the effect of corporate governance mechanisms on investors' confidence of listed consumer goods companies in Nigeria

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.216812	0.371860	5.961415	0.0000
BODZ	-0.052535	0.021957	-2.392648	0.0178
BOGD	-1.606061	0.465280	-3.451815	0.0007
BODI	0.135725	0.281047	0.482926	0.6298
	Effects Specification			
			S.D.	Rho
Cross-section random			0.554434	0.6727
Idiosyncratic random			0.386726	0.3273
	Weighted Statistics			
R-squared	0.408479	Mean dependent var		0.266063
Adjusted R-squared	0.391481	S.D. dependent var		0.403888
S.E. of regression	0.386793	Sum squared resid		26.03187
F-statistic	7.234435	Durbin-Watson stat		1.724560
Prob(F-statistic)	0.001171			
	Unweighted Statistics			
R-squared	0.235275	Mean dependent var		1.235227
Sum squared resid	77.28773	Durbin-Watson stat		0.580862

Source: E-views 10 output (2024)

The random effect regression model in table 4.4 shows an F-statistic of 7.234435 with p-value of 0.001171 indicating that overall; the relationship between corporate governance mechanisms and investors' confidence is a significant one. The model gave an R-squared value of 0.408479 which means that 41% of the changes in the dependent variable can be explained by the independent variables of this study. However, the unexplained part is captured in the error term.

Discussion of Findings

Board Size and Earnings Multiple

The results obtained from the random effects model in table 4.4 revealed that board size (BODZ) (Coef. -0.052535; p-value = 0.0178) has a significant negative effect on the earnings multiple of listed consumer goods companies in Nigeria. This implies that increase in number of directors on the board would lead to decrease in earnings multiple, or the higher the number of directors in a company's board, the lower their earnings multiple, and vice versa suggesting a significant relationship in opposite directions. In context, a smaller board tends to increase earnings multiple than larger ones. Jensen and Meckling (1976) gave a possible explanation for this, stating that a smaller board would be more effective due to fewer difficulties in coordination of efforts and the smaller board may be less burdened with political problems.

Further studies supporting this finding include Khalifa *et. al.,* (2020) who found that board size has a significant negative correlation with NPM; and Fuzi *et. al.,* (2016) who found that board size has a significant negative impact on investors' confidence. On the contrary, Emmanuel (2023) revealed that board size has a positive and significant effect on insurance companies' financial performance.

Board Gender Diversity and Earnings Multiple

Table 5 revealed that board gender diversity (Coef. -1.606061; p-value = 0.0007) showed a significant negative relationship with respectively.

This implies that more women or female directors on the board would result in low earnings multiple. In this context, the higher the proportion of female directors on the board of the consumer goods companies under study, the lower their earnings multiple would be.

This suggests a significant relationship in the opposite direction. Although contradicting findings exists in the literature, such as Enoidem *et. al.,* (2023) who found that board gender diversity has significant positive effect on earnings management of non-finance firms listed on the floor of the Nigeria Exchange Group; and Akpan and Nkanga (2023) who found that board gender diversity has a significant positive effect on segment reporting. Our finding is however supported by Guiso *et. al.*, (2022); and Madi *et. al.,* (2023) who found that board gender diversity has significant negative effect on financial performance.

Board Independence and Earnings Multiple

Table 5 revealed that board independence (Coef. 0.135725; p-value of 0.6298) has insignificant but positive effect on earnings multiple. This implies that board independence has a positive relationship with earnings multiple but lacked sufficient evidence to back it and so, board independence is not a factor influencing earnings multiple.

This is contrary to many studies' findings including Enoidem *et. al.* (2023) who found that board independence has significant negative effect on earnings management; Hamdan *et. al.*, (2019) who established that board independence has a negative influence on the financial performance of listed firms in Bursa Malaysia. On the other hand, Ahmed and Hand (2015); Madi *et. al.,* (2023) Peter *et. al.* (2022) showed that independence directors increase the earnings multiple of firms.

CONCLUSION

The findings of this study have highlighted corporate governance mechanisms as significant factors that influence earnings multiple in companies. Specifically, board size, board gender diversity and board diligence had significant negative effects on earnings multiple of listed consumer goods in Nigeria while board independence and audit committee posited no significant effect on earnings multiple. Corporate governance stands as a cornerstone for companies, nearly as vital as their core business strategies. Its effective implementation serves as a bulwark against corporate malpractice, fraud, and legal repercussions, bolstering investor trust and confidence. Indeed, corporate governance emerges as a pivotal determinant of organizational health, fostering resilience against economic downturns.

The robustness of an organization hinges on the integrity of its internal mechanisms and interconnections. Strong governance standards not only facilitate capital accessibility but also foster economic prosperity. Based on these findings, it was recommended that companies (especially the ones under study) should aim for smaller, more effective boards to enhance coordination and decision-making processes thereby increasing earnings multiple as large boards were proved to do otherwise.

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