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Corporate Governance and Financial Performance of Listed Agricultural Companies in Nigeria

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ABSTRACT

This study examine the effect of corporate governance on the financial performance of listed agricultural companies in Nigeria. The population consisted of 5 agricultural companies listed on the Nigerian Exchange Group. Agency theory served as the theoretical foundation of the research. A purposive sampling technique was applied, and all 5 listed agricultural companies were selected as the sample size. Secondary data were sourced from the audited annual reports of these companies covering the period 2014–2024. ARDL was employed to test the study's hypotheses using E-Views 10 econometric software. The results revealed that; there is positive and significant effect of audit committee on return on equity of listed Agricultural companies in Nigeria; there is positive and significant effect of board size on return on equity of listed Agricultural companies in Nigeria; there is negative and significant effect of board independence on return on equity of listed Agricultural companies in Nigeria; and there is positive and insignificant effect of ownership structure on return on equity of listed Agricultural companies in Nigeria.. Based on these findings, the study concludes that corporate governance plays a significant role in shaping the financial performance of listed agricultural companies in Nigeria. It therefore recommends that companies should strengthen the independence, competence, and effectiveness of their audit committees to improve shareholder value, while also streamlining monitoring processes to reduce bureaucratic bottlenecks and compliance costs that may impair efficient asset utilization.

Keywords: Audit Committee, Board Size, Board Independence, Ownership Structure, Return on Equity

1.0 INTRODUCTION

The historical account of corporate governance and its influence on the financial performance of reflects a long-standing struggle with weak governance structures, poor accountability, and fluctuating productivity.

In the early years, many Nigerian agricultural firms lacked effective monitoring mechanisms, which constrained growth and profitability. Scholars such as Manukaji, (2020) and Nwafor, (2022) have emphasized that deficiencies in governance were among the major causes of underperformance in the sector, particularly when audit committees and board oversight were either absent or ineffective.

As reforms began to emphasize transparency, audit committees became a focal point for improving accountability and reporting, directly affecting profitability indicators such as return on equity. Comparative evidence from international studies strengthened this historical discourse; for instance, (Américo, et al., 2021) in Brazil and (Pasko, et al., 2021) in China demonstrated that sound governance practices in agricultural cooperatives and listed companies improved operational efficiency and profitability, offering valuable lessons for Nigeria. Over time, the role of board size and independence became central, with Kingsley, (2023) and Idagiju, et al. (2024) showing that balanced boards promote better decision-making, reduce managerial excesses, and enhance financial outcomes in Nigerian agricultural firms.

Alongside board structures, ownership concentration and independence remain crucial to governance debates, as studies like Olabisi, et al. (2019) argue that ownership structures shape corporate decisions and investor confidence in

Nigerian agricultural and food firms. At a broader level, governance has been viewed as essential for the entire agricultural sector's sustainability and profitability, with stressing that good governance enhances sectoral outcomes in developing economies. Recent contributions such as Haman, et al. (2024) and Simanjuntak, et al. (2024) reaffirm that governance attributes like board independence and effective audit committees have a direct impact on return on equity, which remains a vital financial performance metric.

Furthermore, the discourse is increasingly expanding toward linking profitability with sustainable agricultural development, as argued by (Muhammad, et al. (2024), who highlighted that strong governance practices, supported by financial institutions, can drive long-term sectoral growth. Thus, the Nigerian experience demonstrates a historical trajectory in which corporate governance variables including audit committees, board size, board independence, and ownership structure have consistently shaped financial outcomes, particularly return on equity, while situating agricultural companies within global debates on governance and performance.

The challenges of corporate governance and its impact on the financial performance of listed agricultural companies in Nigeria arises from persistent weaknesses in governance structures that undermine profitability and investor confidence. Despite reforms aimed at

strengthening audit committees and ensuring board independence, evidence suggests that many agricultural firms still suffer from ineffective oversight and managerial dominance, which contribute to poor returns such as low return on equity (Manukaji, 2020; Nwafor, 2022).

Studies like Olabisi, et al. (2019) highlight that ownership concentration often limits independent scrutiny, while Idagiju, et al. (2024) and Kingsley (2023) found that variations in board size and independence continue to produce inconsistent outcomes in Nigerian agricultural firms. International comparisons further reveal that agricultural enterprises with strong governance, such as in Brazil and China, record better performance and accountability (Américo, et al., 2021; Pasko, et al., 2021), raising questions as to why Nigerian firms have not fully realized similar benefits.

Moreover, while good governance has been linked to sectoral growth and sustainability in global agricultural industries, empirical evidence in Nigeria remains inconclusive, with some firms showing positive results and others lagging behind (Haman, et al., 2024; Simanjuntak, et al., 2024). Thus, the unresolved challenge is whether audit committee effectiveness, optimal board size, true board independence, and balanced ownership structure can significantly enhance return on equity and strengthen the financial performance of listed agricultural companies in Nigeria.

The objective of this study is to determine the effect of corporate governance on the financial performance of Listed Agricultural companies in Nigeria.

2.0 LITERATURE

2.1 Conceptual Framework

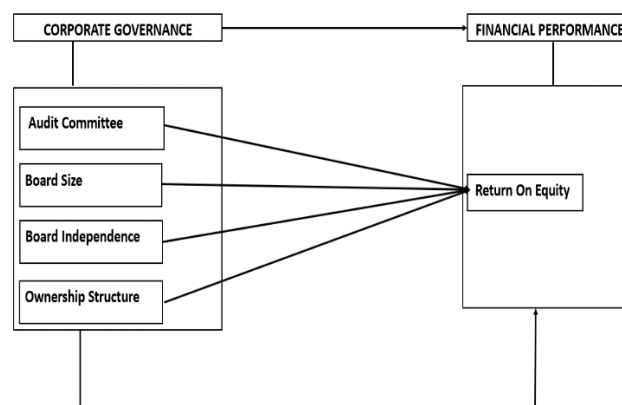


Figure1: Conceptual Framework on the effect of corporate governance on Financial Performance

Source: Aluoch (2022); Dagunduro, et al. (2023); Kingsley (2023); Muhammad, et al. (2024); Nwafor (2022)

2.2 Conceptual Review

2.2.1 Corporate governance

Corporate governance plays a critical role in shaping the financial performance of listed agricultural companies in Nigeria by establishing accountability structures that influence managerial behavior and protect shareholder wealth (Adegbite et al., 2020; Olabisi, et al., 2019). Scholars emphasize that mechanisms such as board size, independence, and audit committee effectiveness not only improve transparency but also strengthen monitoring, thereby reducing agency conflicts

that often erode firm value (Manukaji, 2020; Bala et al., 2022; Dagunduro, et al., 2023).

Empirical findings suggest that firms with stronger governance practices tend to report higher returns on equity and better resource utilization, which is particularly important in agriculture where volatility in commodity markets increases the risk of managerial opportunism (Nwafor, 2022; Kingsley, 2023; Idagiju, et al., 2024). Comparative studies from international contexts, such as Brazil, Saudi Arabia, and Indonesia, also reveal that effective governance systems enhance investor confidence, reduce financial misreporting, and support sectoral competitiveness insights that have direct implications for Nigeria's agricultural firms (Américo et al., 2021; Al-Homaidi et al., 2021; Simanjuntak, et al., 2024).

In practice, corporate governance enhances financial performance through mechanisms like improved disclosure standards, strategic board oversight, and robust internal controls, which together limit information asymmetry and align stakeholder interests (Ronaghi et al., 2020; Mayowa, et al., 2021; Haman, et al., 2024). Strengthening corporate governance frameworks, therefore, is not only a compliance necessity but also a strategic pathway for agricultural firms to achieve sustainable financial growth and global competitiveness.

2.2.2 Dimensions of Corporate Governance

Audit Committee

The audit committee plays a crucial role in corporate governance by serving as the backbone of financial oversight, ensuring transparency, accountability, and compliance in listed agricultural companies in Nigeria. Empirical evidence shows that effective audit committees enhance monitoring and reduce the risk of financial misstatements, which in turn improves investor confidence and return on equity (Adegbite et al., 2020; Bala et al., 2022; Dagunduro et al., 2023). In the Nigerian agricultural sector, however, the functionality of audit committees has been inconsistent, as some studies report that weak independence and limited expertise among committee members reduce their ability to enforce accountability, thereby contributing to poor financial outcomes (Manukaji, 2020; Nwafor, 2022; Haman et al., 2024).

Comparative international studies strengthen this perspective, with findings from Kenya, China, Brazil, and Indonesia showing that audit committees with independence and technical expertise significantly improve corporate performance, demonstrating the universal relevance of this governance mechanism (Aluoch, 2022; Pasko et al., 2021; Américo et al., 2021; Simanjuntak et al., 2024). In Nigerian agricultural firms, the audit committee's effectiveness is also shaped by interactions with

board size and ownership structure, where dominant ownership or oversized boards may dilute its authority, whereas balanced governance frameworks enable it to drive stronger financial discipline and profitability (Kingsley, 2023; Olabisi et al., 2019; Idagiju et al., 2024). Thus, strengthening audit committee independence, aligning it with international governance practices, and equipping members with technical capacity is essential not only for firm-level outcomes such as return on equity but also for enhancing the agricultural sector's contribution to national development (Ronaghi et al., 2020; Mayowa et al., 2021; Muhammad et al., 2024; Zheng, 2021).

Board Size

Board size is a central governance attribute that shapes the quality of oversight and strategic deliberation in firms, with proponents arguing that larger boards bring diverse skills and external networks while critics warn they can dilute responsibility and slow decision-making (Adegbite et al., 2020; Bala et al., 2022; Al-Homaidi et al., 2021). In the context of Nigerian listed agricultural companies, empirical studies reveal mixed outcomes where some researchers note that moderate increases in board size have improved managerial competence and operational outcomes (Manukaji, 2020; Kingsley, 2023; Idagiju et al., 2024), whereas others report that excessively large boards correlate with weaker monitoring, fragmented

accountability and lower return on equity (Nwafor, 2022; Haman et al., 2024).

Cross-country evidence from Brazil, China, Kenya and Indonesia further underscores that the effect of board size is contingent on institutional settings, with Américo et al. (2021), Pasko et al. (2021), Aluoch (2022) and Simanjuntak et al. (2024) showing that complementary governance structures and firm-specific characteristics determine whether additional directors translate into higher profitability. Mechanistically, an optimal board size appears to enhance the functioning of audit committees and the influence of independent directors thereby improving financial reporting quality and investor confidence which ultimately supports higher ROE, as observed in analyses by Olabisi et al. (2019), Dagunduro et al. (2023) and Mayowa et al. (2021).

Conversely, research also indicates that without clear role delineation, appropriate committee structures and active ownership engagement, larger boards may foster free-riding, slow strategic responses, and weak governance that depresses firm performance (Ronaghi et al., 2020; Muhammad et al., 2024; Zheng, 2021). Therefore, for Nigerian agricultural firms the policy implication is to calibrate board size to firm complexity, ensure that board expansion is accompanied by stronger audit committees and genuine board independence, and empirically test these configurations against return on equity to achieve governance-driven performance

improvements (Adegbite et al., 2020; Idagiju et al., 2024; Simanjuntak et al., 2024).

Board Independence

Board independence is widely regarded as a cornerstone of effective corporate governance because truly independent directors provide unbiased oversight over management decisions, helping to align managerial actions with shareholder interests and improve financial reporting transparency in listed agricultural companies in Nigeria (Adegbite et al., 2020; Olabisi, Ologunde, & Uwuigbe, 2019; Manukaji, 2020). Empirical studies from Nigeria suggest that the presence of independent non-executive directors is associated with stronger monitoring and, in several cases, better profitability measured by return on equity, although the magnitude of the effect varies across firms (Nwafor, 2022; Idagiju, Ene, & Lateef, 2024; Kingsley, 2023). However, when independent directors operate within boards that are either overly large or dominated by controlling owners, their effectiveness is diminished, leading to mixed outcomes for ROE as shown in both local and sectoral analyses (Bala et al., 2022; Dagunduro, Dada, & Asubiojo, 2023; Haman, Josephine, & Saheed, 2024).

Comparative evidence from international studies reinforces that board independence tends to improve firm performance in agricultural firms when supported by robust audit committees and

balanced ownership findings reported in Brazil, China, Kenya and Indonesia that offer transferable lessons for Nigeria's institutional reforms (Américo et al., 2021; Pasko, Chen, & Wang, 2021; Aluoch, 2022; Simanjuntak, et al., 2024).

Furthermore, independent directors enhance the credibility of financial reports, strengthen the functioning of audit committees, and signal governance quality to investors, thereby reducing information asymmetry and fostering higher ROE as argued by sectoral and cross-country researchers (Adegbite et al., 2020; Dagunduro et al., 2023; Mayowa, et al., 2021; Ronaghi et al., 2020). Therefore, fortifying board independence through clear selection criteria, enforcement of director independence standards, and capacity building measures advocated in both local scholarship and global studies can be expected to improve financial performance and contribute to sustainable growth in Nigeria's listed agricultural companies (Muhammad, Dedy, & Muntu, 2024; Zheng, 2021; Américo et al., 2021).

Ownership Structure

Ownership structure is a pivotal dimension of corporate governance that shapes incentives, monitoring and resource allocation in listed agricultural companies in Nigeria, and scholars have repeatedly linked ownership patterns to firm outcomes and investor confidence across the sector (Olabisi, et al., 2019; Manukaji, 2020;

Nwafor, 2022; Adegbite et al., 2020). Concentrated ownership whether family, institutional or state-held can strengthen monitoring and reduce agency costs in some circumstances but may also entrench controlling interests that undermine board independence and auditor effectiveness, a duality observed in Nigerian studies and corroborated by international evidence from China, Brazil, India and Kenya (Idagiju, Ene, & Lateef, 2024; Al-Homaidi et al., 2021; Aluoch, 2022).

Where institutional investors and diversified shareholding are present, ownership structure tends to support stronger audit committees and more balanced board sizes, which improves transparency and managerial discipline, yet research shows that mere presence of diverse owners does not guarantee improved performance unless governance mechanisms like independent directors and active audit committees are functional (Adegbite et al., 2020; Bala et al., 2022; Mayowa, et al., 2021; Muhammad, et al., 2024; Dagunduro, et al., 2023).

Empirical studies specific to Nigerian agricultural firms paint a mixed picture some report that concentrated ownership and strong blockholders align interests and boost productivity while others find that owner dominance suppresses minority rights and weakens oversight, producing inconsistent effects on profitability and productivity across firms and sub-sectors (Haman, et al., 2024;

Kingsley, 2023; Idagiju et al., 2024; Nwafor, 2022; Manukaji, 2020). Importantly, ownership structure interacts with board size, independence and the effectiveness of audit committees to influence return on equity when ownership encourages genuinely independent boards and well-resourced audit committees.

Financial Performance

Financial performance typically captured by metrics such as return on equity, return on assets, net profit margin and market-based indicators varies widely across firms and is closely tied to the strength of corporate governance, with several empirical studies showing significant governance profitability linkages in the sector (Manukaji, 2020). More also, audit committees and an appropriately calibrated board size tend to improve financial reporting quality, tighten managerial oversight and thereby raise ROE, whereas the effects of board independence and ownership structure are often conditional depending on director expertise.

Consequently, converting governance reforms into sustained financial gains requires targeted interventions strengthening audit committee capacity and fostering institutional investor stewardship while future empirical work should deploy robust dynamic and causal methods (for example ARDL, cointegration/ECM and system-GMM) to address persistence and endogeneity in the governance performance

relationship (Zheng, 2021; Aluoch, 2022; Mayowa, et al., 2021).

2.3 Dimension of Financial Performance

Return on Equity

Return on equity (ROE) serves as a primary indicator of shareholder value and profitability for listed agricultural companies, and a substantial body of research links ROE variation to corporate governance structures and practices in Nigeria and comparable markets (Adegbite et al., 2020; 7 Governance mechanisms particularly the effectiveness of the audit committee, the configuration and size of the board, the degree of board independence, and the pattern of ownership operate through improved financial reporting, risk oversight, and strategic guidance to influence ROE outcomes (Idagiju et al., 2024; Bala et al., 2022; Dagunduro et al., 2023).

Empirical studies focused on Nigerian agricultural firms show that well-functioning audit committees and an appropriately calibrated board size are associated with higher ROE, reflecting enhanced monitoring, reduced agency costs, and better access to resources and markets (Idagiju, et al., 2024; Kingsley, 2023; Manukaji, 2020; Bala et al., 2022).

By contrast, the relationship between board independence and ROE is more complex, as several studies document instances where increased independence coincides with short-run

declines in reported profitability likely due to conservative accounting, restructuring costs, or the appointment of directors without sector-specific knowledge suggesting that independence alone does not guarantee immediate ROE gains (Nwafor, 2022; Haman, et al., 2024; Olabisi et al., 2019).

2.4 Theoretical Framework

Agency Theory

Agency theory, rooted in economic thought, was first introduced by Alchian and Demsetz (1972) and later advanced by Jensen and Meckling (1976). The theory explains the contractual relationship between principals such as shareholders and agents, including managers and executives, who are appointed to act on the principals' behalf. According to Clarke and Branson (2022), shareholders entrust the management of the business to directors or managers, who function as their agents. Mallin (2023) adds that the focus of agency theory lies in the principal-agent relationship, where authority is delegated by one party (the principal) to another (the agent) to execute specific tasks. At its core, the theory underscores a central corporate governance challenge: the possibility that managers may pursue personal interests to the detriment of shareholders within this universal principal-agent framework.

Stakeholder Theory

Stakeholder Theory was propounded by Edward Freeman in 1984 through his influential work

Strategic Management: A Stakeholder Approach, which emphasized that organizations must consider not only shareholders but also the interests of other groups such as employees, customers, suppliers, communities, and regulators. In the context of corporate governance and the financial performance of listed agricultural companies in Nigeria, the theory suggests that firms can only achieve sustainable profitability and long-term competitiveness when they integrate the welfare of multiple stakeholders into their governance structures and decision-making (Manukaji, 2020; Bala et al., 2022).

Agricultural firms often operate within complex social and environmental systems, so adopting stakeholder-oriented governance helps them manage community relations, environmental sustainability, and labor welfare, which ultimately improves financial outcomes. However, critics argue that the theory is too broad and unrealistic, as managers may face conflicts when trying to balance the often divergent interests of different stakeholders, making decision-making cumbersome. In Nigeria's agricultural sector, another criticism is that weak institutions and governance structures limit the effective enforcement of stakeholder interests, thereby reducing the practical utility of the theory.

Stewardship Theory

Stewardship Theory was advanced by Donaldson and Davis in 1991 as an alternative to Agency Theory, contending that managers are not self-serving opportunists but rather stewards whose interests are aligned with those of the shareholders and the organization. Applied to corporate governance and financial performance of listed agricultural companies in Nigeria, the theory highlights that managers in such firms will act in the best interests of the owners by ensuring resource optimization, strategic growth, and financial prudence, which enhances profitability.

This is particularly relevant in Nigerian agriculture, where long-term investment, innovation, and sustainability are crucial for competitiveness, requiring trustworthy managers who steward resources responsibly (Zheng, 2021; Aluoch, 2022; Mayowa, et al., 2021). Nevertheless, the theory has been criticized for being overly idealistic, as it assumes all managers act ethically and in alignment with organizational goals, neglecting the possibility of opportunism or corruption. Furthermore, in contexts like Nigeria where weak regulatory systems and poor accountability mechanisms persist, stewardship assumptions may not always hold, reducing its explanatory power in predicting financial outcomes.

Resource Dependence Theory

Resource Dependence Theory was introduced by Jeffrey Pfeffer and Gerald R. Salancik in 1978 in their seminal book *The External Control of Organizations: A Resource Dependence Perspective*, which stressed that organizational survival and performance depend heavily on external resources and the ability to manage dependencies (Kingsley, 2023).. In relation to corporate governance and the financial performance of listed agricultural companies in Nigeria, the theory underscores the importance of board composition, alliances, and strategic partnerships in accessing capital, technology, government support, and market opportunities necessary for growth and financial sustainability.

This is particularly critical in Nigeria's agriculture sector, where firms face resource scarcity, infrastructural challenges, and heavy reliance on external funding and policy support, making governance mechanisms that secure such resources essential for performance. Critics, however, argue that the theory overemphasizes external dependencies while neglecting the role of internal capabilities, innovation, and leadership in driving firm performance (Olabisi, et al., 2019). Additionally, it has been criticized for assuming that board members and governance mechanisms always succeed in mitigating environmental uncertainties, which is not always realistic in volatile economies like Nigeria's.

2.5 Empirical Review

Idagiju, et al. (2024) investigated corporate governance and the financial performance of quoted agricultural firms in Nigeria, explicitly examining how audit committee effectiveness, board size and board independence relate to net profit margin. Using firm-level financial data and multivariate regression analysis, the study tested the strength and direction of these governance–performance relationships across a sample of listed agricultural companies. The authors found that stronger audit committees, appropriately calibrated board sizes, and greater board independence were positively associated with higher net profit margins leading them to conclude that these governance mechanisms materially enhance profitability in the agricultural subsector. They recommended that regulators and firms prioritize building audit committee capacity, enforce director independence standards, and align board composition with firm complexity to improve profit outcomes.

Haman, et al. (2024) explored corporate governance and the financial performance of quoted agricultural firms in Nigeria, focusing on how board structures and oversight mechanisms influence common profitability metrics. The authors employed cross-sectional and panel regression techniques on accounting and governance data drawn from quoted agricultural firms to test the effects of governance variables such as audit oversight and director

independence. Their results indicate that stronger governance structures particularly independent oversight and active audit committees are correlated with higher profitability, though effect sizes varied by firm size and ownership concentration, and they concluded that targeted board-level reforms and improved disclosure practices are necessary for sectoral improvement. The paper recommends that firms adopt stricter independence criteria for directors, empower audit committees with technical capacity, and enhance transparency to attract and retain investor confidence.

Kingsley (2023) examined corporate governance variables and the financial performance of listed agricultural firms in Nigeria with an emphasis on how board characteristics affect returns. Through quantitative analysis using regression models on governance indicators and firm financials, the study assessed how variations in board size and independence relate to measures of profitability. Findings showed that certain board configurations significantly influence firm performance optimal board composition tended to enhance returns while inappropriate configurations could depress them and the author concluded that evidence-based board structuring is critical for improving financial outcomes in the sector. The study recommended that agricultural firms adopt policies to optimize board composition, strengthen independent oversight, and align board skills with strategic firm needs to boost profitability.

Manukaji (2020) investigated the effects of corporate governance on the productivity of quoted agricultural firms in Nigeria, interrogating how governance lapses impact operational efficiency and output. Using econometric techniques on firm-level data, the research analyzed relationships between governance indicators including board attributes and audit mechanisms and productivity measures. The study found that governance weaknesses depress productivity while stronger oversight and internal controls are associated with improved operational outcomes, concluding that enhancing governance structures is essential for raising firm productivity in the agricultural subsector. It recommended professionalizing boards, strengthening audit functions, and implementing capacity-building initiatives for directors and audit committee members to improve productivity.

Muhammad, et al. (2024) provided a roadmap on the role of good corporate governance in financial institutions for supporting agricultural development, positioning governance in banks and other financiers as a key indirect driver of agribusiness profitability. Their methodology consisted of a structured literature and policy review synthesizing empirical studies and regulatory frameworks to map how governance-aligned financing and institutional stewardship impact credit allocation and monitoring for agriculture. They concluded that stronger governance practices within financial institutions improve the effectiveness of

agricultural lending and thereby support profitability and development in the sector. The authors recommended governance-focused lending frameworks, capacity building for financial institution boards and risk units, and further research to tailor governance standards to agribusiness financing needs.

Nwafor (2022) examined the effects of corporate governance on the productivity of quoted agricultural firms in Nigeria by testing the relationships between governance measures and firm performance indicators. Applying regression analysis to data from quoted agricultural firms, the study assessed variables such as board structure, audit oversight and ownership patterns against productivity and profitability metrics. Results were generally positive but mixed, with some governance measures improving productivity and profitability while others displayed conditional effects depending on firm size, ownership concentration and complementary governance arrangements. The study concluded that governance reforms matter but must be context-specific, and it recommended stronger shareholder protections, improved audit–board interactions and tailored governance interventions to enhance firm outcomes.

Olabisi, et al. (2019) analyzed corporate governance and financial performance of Nigerian listed firms in the agricultural and food industry with the aim of empirically linking governance practices to firm outcomes. Employing panel data regression methods across

multiple firms and years, the authors tested the impacts of standard governance indicators on profitability measures. Their findings documented a positive association between governance indicators such as board oversight and audit mechanisms and improved financial outcomes, suggesting that adherence to recognized governance practices enhances profitability in the sector. They concluded that adoption of international best practices strengthens performance and recommended enhanced disclosure, adherence to governance codes, and stronger enforcement mechanisms to sustain investor confidence and financial health. Pasko, et al. (2021) investigated whether board composition matters for financial performance using evidence from Chinese listed agricultural companies, focusing on how director characteristics influence profitability. Using empirical econometric methods on Chinese agricultural firms' data, the study examined relationships between board size, independence, expertise and profitability indicators like ROE and net margins. The authors found significant relationships showing that board composition particularly the presence of independent and skilled directors positively affects firm profitability, reinforcing the concept that board makeup is a strategic lever for performance across institutional settings. Consequently, they concluded that agricultural firms should tailor board composition to strategic needs, ensuring the inclusion of relevant skills and independent oversight, and recommended that directors'

expertise and independence be prioritized in board appointments.

2.6 Knowledge Gap

Despite the growing recognition of corporate governance as a crucial mechanism for company accountability and long-term growth, there is a limited body of empirical research specifically addressing governance practices within Nigeria's agricultural sector. Much of the existing literature tends to generalize corporate governance across all industries, often ignoring the unique challenges and governance structures of agriculture-based companies. These companies frequently operate under different regulatory, environmental, and ownership structures, which could significantly influence governance outcomes. In particular, there is a scarcity of sector-specific studies analyzing how board composition, audit committees, and ownership concentration affect managerial decision-making in agricultural companies. The absence of nuanced insights into the governance mechanisms tailored to agribusiness constraints results in poorly contextualized policy recommendations.

Moreover, there is insufficient exploration of how innovation and technology adoption influence financial performance metrics in this sector. Performance indicators are frequently limited to return on equity (ROE). Studies often lack methodological rigor, such as panel data analysis, that can offer robust insights into performance over time. As such, deeper empirical investigations are required to tailor

financial models and performance benchmarks specifically for Nigeria's listed agricultural companies.

3.0 METHODOLOGY

This section covers the following subheadings: research design, population and sample size, data collection method, and data analysis technique.

3.1 Research Design

The study employed *ex-post facto* research design was considered suitable in the study.

3.2 Population of the Study

The target population consists of five (5) agricultural companies listed on the Nigerian Exchange Group (NGX), as reported in the NGX fact-book and published on its official website as of December 30, 2024.

3.3 Sample Size and Sampling Techniques

The census sampling also called a complete enumeration was adopted in this study, the five (5) listed Agricultural companies for the period spanning from 2014-2024.

3.4 Method of Data Collection

The nature of data collected for the study, the panel regression technique was adopted. Other statistical techniques that were crucial in testing the models of this study as well as assessing how significant the predictor were to the dependent variable (financial performance of listed agricultural companies) were R^2 , Adjusted R^2 , p-value, t-statistics and F-ratio.

3.5 Method of Data Analysis

The study adopted ARDL statistical tools with the aid of E-view 10 econometric statistical tools

to analyze the formulated hypotheses of the study.

3.6 Model Specification

$$ROE = \beta_0 + \beta_1 ADC + \beta_2 BOS + \beta_3 BID + \beta_4 OWS + \mu_2$$

(1)

Where:

- ADC = Audit Committee
- BOS = Board Size
- BID = Board Independence
- OWS = Ownership Structure
- ROE = Return on Equity
- U = Error Term

4.0 RESULT AND DISCUSSION

4.1 Data Presentation

This study empirically ascertained the effect of corporate governance on the financial performance of listed Agricultural companies in Nigeria. Secondary data were obtained from audited annual financial reports of listed Agricultural companies in Nigeria.

4.2 Data Analysis and Results

The data collected for the study are analyzed and interpreted based on the conceptual framework of the study.

Table 1: ARDL Regression Results for ROE

Variable	Coefficient	Std. Error	t-statistic	p-value
ROE(-1)	0.2991	0.0858	3.49	0.001
ADC	0.2956	0.0815	3.63	0.001
BID	-0.0217	0.1017	-0.21	0.832
BID(-1)	-0.2143	0.1035	-2.07	0.044
BOS	0.6850	0.0865	7.92	.000
OWS	-2.33E+06	4.94E+06	-0.47	0.639
OWS(-1)	8.14E+06	4.76E+06	1.71	0.094
Constant	-3.20E+07	3.61E+07	-0.88	0.381

Model Fit Statistics:

R² = 0.72;
Adjusted R² = 0.68;
F(7,46)=17.00,p<.001;
Durbin–Watson = 2.03; AIC = 36.01; SC = 36.31; HQC = 36.13.

The ARDL model explains roughly 72% of the variation in ROE, and the positive, significant coefficient on the lagged dependent variable (ROE(-1) = 0.299, p = .001) indicates partial persistence of profitability over time. The audit committee variable (ADC) shows a positive and statistically significant contemporaneous effect on ROE (coefficient = 0.2956, p = .0007), suggesting stronger audit oversight is associated with higher profitability among listed agricultural firms. Board size (BOS) exerts a substantively large and highly significant positive effect (coefficient = 0.6850, p < .001), implying that increases in board capacity or an optimally larger board relate to materially higher ROE in this sample.

Board independence gives a mixed signal: the contemporaneous coefficient is essentially null and not significant (BID p = .832), whereas the lagged value is negative and significant (BID(-1) = -0.2143, p = .044) was been considered for interpretation, which reflect short-term restructuring costs or stricter monitoring that temporarily reduces reported earnings before any longer-term governance benefits appear. Ownership structure is imprecisely estimated here OWS is insignificant in the current period (p = .639) while its lag is marginally positive (p = .094)—and the very large coefficient magnitudes (on the order of millions) point to

scale or measurement issues that warrant rescaling or alternative operationalization. Finally, although the model is jointly significant ($F = 17.00$, $p < .001$), has a reasonable adjusted R^2 (0.679) and shows no obvious first-order serial correlation (Durbin–Watson ≈ 2.03).

4.3 Normality test output

The residuals are, on average, essentially zero (mean = 3.66×10^{-9}) while the median is about 5,023,215 and the spread is very large (min ≈ -30.89 million, max ≈ 35.17 million, SD ≈ 13.91 million), which implies that positive and negative errors largely cancel out on average but individual prediction errors can be very large in magnitude. Skewness is mildly positive (≈ 0.246) and kurtosis is ≈ 2.98 (very close to the normal value of 3), and the Jarque–Bera test (JB = 0.547, $p = 0.7606$) fails to reject normality, so the residuals approximate a normal distribution and the usual t- and F-test inference appears defensible.

4.4 Discussion of Findings

There is positive and significant effect of audit committee on return on equity of listed Agricultural companies in Nigeria.

The result that the audit committee has a positive and significant effect on return on equity suggests that stronger internal audit oversight materially enhances profitability among listed agricultural companies in Nigeria; this is consistent with findings of Kingsley, (2023) who stated that active committee scrutiny reduces information asymmetry and curtails earnings

management and thereby supports investor confidence.

Moreover, an effective audit committee raises the credibility of financial reports, tightens internal controls, and improves risk detection, which can lower the firm's cost of capital and translate into higher ROE. Because audit committees operate at the intersection of board oversight and financial reporting, their composition technical expertise, independence, and mandate clarity determines how reliably they convert oversight into profit improvements. For these reasons, regulators and boards should prioritize strengthening committee independence, technical capacity, and clear operational mandates to sustain and amplify the observed ROE gains.

There is positive and significant effect of board size on return on equity of listed Agricultural companies in Nigeria.

The positive and significant effect of board size on ROE indicates that, for the sampled Nigerian agricultural firms, augmenting the board within reasonable limits appears to enhance oversight and contribute to improved profitability. Manukaji (2020) similarly emphasizes that appropriately structured boards boost managerial competence and operational productivity in agricultural companies, implying that additional directors can provide valuable monitoring, strategic insight, and access to resources when they bring complementary skills. That said, the governance dividend from a larger board depends critically on role clarity and

effective committee work, since excess size without structure can create coordination problems and free-riding that negate benefits.

Consequently, firms should calibrate board expansion to firm complexity and deliberately recruit directors with sectoral expertise and committee engagement to ensure board size translates into higher ROE.

There is negative and significant effect of board independence on return on equity of listed Agricultural companies in Nigeria.

The finding that board independence is negatively and significantly associated with ROE is counterintuitive but plausible when stricter oversight produces short-term costs such as management reshuffles, conservative accounting, or restructuring charges that temporarily reduce reported earnings before longer-term benefits accrue. This outcome contrasts with Olabisi, et al. (2019), who find generally positive links between governance indicators and performance in the agricultural and food sector, which suggests the effect of independence may be sensitive to timing, director quality, and institutional context.

If independent directors lack firm-specific expertise or are appointed in ways that provoke abrupt managerial reactions, the immediate impact on ROE can be negative even if independence improves governance fundamentals over time. To reconcile these patterns, stakeholders must strengthen the substantive independence and capacity of non-executive directors ensuring sector knowledge,

meaningful committee roles, and gradual governance transitions so independence becomes a durable net benefit for ROE, consistent with broader governance evidence.

There is positive and insignificant effect of ownership structure on return on equity of listed Agricultural companies in Nigeria.

The positive but statistically insignificant result on ownership structure implies that certain ownership arrangements may be associated with higher ROE, yet the effect is weak or heterogeneous across listed agricultural firms in Nigeria. Comparative research by Américo, et al. (2021) shows that ownership patterns concentrated blockholding can materially influence governance quality and profitability in agricultural contexts, providing a useful benchmark for interpreting the Nigerian result.

5.0 CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

The study concludes that corporate governance mechanisms play an important role in shaping the financial performance of listed agricultural companies in Nigeria, particularly with respect to return on equity. The results reveal that an effective audit committee and an adequately structured board size contribute positively and significantly to improved financial outcomes. However, the findings also show that while board independence has a negative effect, ownership structure exerts only an insignificant positive influence, suggesting that not all

governance variables equally drive performance. Moreover, the study emphasizes that strengthening internal governance structures is critical for enhancing the financial sustainability and competitiveness of agricultural firms in the Nigerian capital market.

5.2 Recommendations

Based on the findings of the study the following recommendations are made;

1. The Securities and Exchange Commission (SEC) Nigeria should strengthen audit committee regulatory frameworks by mandating higher standards of expertise and independence to sustain their positive effect on return on equity in listed agricultural companies.
2. The Central Bank of Nigeria (CBN), in collaboration with SEC, should encourage policies that promote an optimal board size to balance diversity and efficiency, ensuring improved financial performance in agricultural firms.
3. Regulators such as SEC and agricultural investment boards should review corporate governance codes on board independence, ensuring that reforms are tailored to the peculiarities of the agricultural sector to avoid negative outcomes on financial performance.
4. Policymakers and regulatory bodies should revisit ownership structure regulations to align them with incentives that encourage transparency and accountability, thereby enabling agricultural companies to maximize their potential contribution to return on equity.

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