

BOARD AUDIT COMMITTEE AND CORPORATE FINANCIAL PERFORMANCE.

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**A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF
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BENIN, BENIN CITY IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR THE AWARD OF BACHELOR OF SCIENCE (B.SC) DEGREE IN
ACCOUNTING.**

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DECLARATION.

I hereby declare that:

1. This study is based on a study undertaken by me in the Department of Accounting, Faculty of Management Sciences, University of Benin, Benin City, under the supervision of Prof. N. Ohonba.
2. This work has not been previously submitted for the award of degree elsewhere.
3. Ideas and views are producers of my personal research and where the view of others has been expressed, they have been duly acknowledged.
4. Any liability arising from this work is to be wholly borne by me alone.

DIVINE OGAGA-OGHENE IGBE

DATE

CERTIFICATION

We, the undersigned hereby certify that this research project was carried out by Divine Ogaga- oghene IGBE with matriculation number MGS2104568 of the Department of Accounting, Faculty of Management Sciences, University of Benin, Benin City and do approve that it is adequate in scope and quality in partial fulfillment of the requirement for the award of Bachelor of Science (B.Sc.) degree in Accounting.

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Date

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(Head of Department)

Date

DEDICATION.

This work is dedicated first to God Almighty, whose grace, wisdom, and unfailing guidance have sustained me throughout this journey.

I also lovingly dedicate it to my parents, Mr. Clifford and Mrs. Abimbola Igbe, whose unwavering support, prayers, and encouragement have been the foundation of my strength and determination. Their love and sacrifice continue to inspire every step I take.

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ABSTRACT.

This study examines the relationship between board audit committee characteristics and corporate financial performance in 50 selected companies listed on the Nigeria Stock Exchange Group (NGX) from 2018 - 2023.

The study was carried out by extracting data from the annual reports for the period on which the secondary data and panel regression analysis were used. Corporate Financial Performance was represented by board size (BDSIZE), board independence (BDIND), audit committee size (ACSIZE), audit committee independence (ACIND), audit committee meeting frequency (ACMF), audit committee financial expertise (ACEXP) and two control variables leverage (LEV) and firm size (FSIZE), which formulated seven research hypotheses from each of the variables.

The result of the finding revealed that board size (BDSIZE), audit committee size (ACSIZE), audit committee independence (ACIND), and audit committee financial expertise (ACEXP) have a positive and significant effect on corporate financial performance, audit committee independence has a positive but insignificant effect on the financial performance, while board independence (BDIND), frequency of audit meetings (ACMF), and firm size (FSIZE) have a negative and insignificant effect on corporate financial performance. These findings highlight the importance of strengthening audit committee composition and competencies to enhance financial performance and investor confidence.

CHAPTER ONE.

INTRODUCTION.

1.1. BACKGROUND TO THE STUDY.

The Companies and Allied Matters Act, 2020 (“CAMA 2020”) has changed the previous provisions in the repealed CAMA on the composition of the statutory audit committee for public companies. In the repealed CAMA, the composition of the audit committee of public companies was six (6) members with an equal number of shareholders and directors. However, in CAMA 2020, the audit committee of a public company should have 5 (five) members i.e., 3 (three) shareholders and 2 (two) non-executive directors with at least one member being a member of a professional accounting body in Nigeria established by an Act of the National Assembly.

Recent unforeseen circumstances have forced the business community to come up with better strategies for moving forward in order to guarantee improved performance, stability in the form of "going concern," and steady corporate growth. An organization's board of directors appoints the board audit committee to help them carry out their oversight role with the company's stakeholders on the corporate financial performance of the organization. Board audit committee is an essential requirement for corporate financial performance, which contributes to the management of companies (Afify, 2009). (Gabriela, 2016) opined that the roles of the audit committee are to supervise firms' financial reporting system, internal control, audit process as well as risk management practices. The role of the audit committee has evolved and progressively been re-defined from a voluntary monitoring mechanism to a

committee which aims at enhancing the flow of quality information from management to shareholders of the firm (Peter & Hannu, 2017; Hanen& Ahmed, 2015; and Sharma et al. 2009). (Madawaki, 2012) asserted that the search for mechanisms to ensure enhanced firm value has largely focused on the audit committee structure whose role is to oversee financial reporting process and audit of financial statements. The audit committee plays an imperative oversight role in monitoring corporate entities (Zraiq & Fadzil, 2018). They work with the board of directors to ensure that the financial information provided by corporate managers is dependable, transparent, and fulfils the highest standards of accountability. The audit committee functions as a liaison between the auditor and the board of directors and is a standing committee of the board of directors that is tasked with handling audit-related matters. Among other things, the audit committee's activities include reviewing auditor nominations, the scope and results of the audit, internal financial control, and corporate gatekeeping. Internal and external auditors are expected to benefit from the existence of an audit committee since it has raised the calibre of audit functions.

Prior to the implementation of the Sarbanes-Oxley Act in 2002, multiple companies in the United States were dealing with significant corporate scandals that resulted in billions of dollars in losses. Nortel, Enron, eToy, and WorldCom are among the companies that have had major business scandals and financial losses. A large sum of money was misappropriated by corporate managers of the above mentioned entities. Most of the shareholders succumbed to poverty following widespread bankruptcy and liquidation (Darko, Aribi, & Uzonwanne, 2016). In response to the corporate crisis that was impacting many American corporations, the Board Audit Committee was established.

According to research (Kallamu & Saat, 2015), audit committees often failed to fulfil their tasks, leading to corporate scandals. The audit committee's failure to provide effective financial monitoring has led to criticism and irregularities for business organisations (Bin-Ghanem & Ariff, 2016). Some audit committee members may also collaborate with company executives to carry out fraudulent schemes (Bansal & Sharma, 2016). As a result, audit committee members' independence and honesty are critical for a financial supervision position.

The audit committee effectiveness can be measured from the firm's performance and its competitive power, markedly in the transforming business environment, which is uncontrollable for the company (Herdjiono & Sari, 2017). The board audit committee's responsibility for overseeing the company's corporate financial performance remains a compelling subject for examination. Previous research studying the effect of the audit committee on the company's financial performance can be separated into two groups (Bouaine & Hrichi, 2019). The first group investigated the associations between the implementation of the audit committee and the company's financial performance (AlMatrooshi et al., 2016). The second group investigated the effect of the audit committee's characteristics on the company's financial performance, including the following characteristics: the independence of the committee (Al-Mamun et al., 2014; Chen & Li, 2013; Dinu & Nedelcu, 2015; Guo & Yeh, 2014; Gurusamy, 2017; Mohammed, 2018), committee size (Aldamen et al., 2012; Yah, 2006) expertise of Audit Committee members in Finance and Accounting (Abernathy, Beyer, Masli, & Stefaniak, 2014; Guo & Yeh, 2014; Singhvi et al., 2013) and the number of committee meetings (Dinu & Nedelcu, 2015). Corporate

financial performance is the overriding factor or essential factor that determines the profitability of an organization. According to a number of studies, audit committees are essential in safeguarding the interests of shareholders by keeping an eye on, managing, and overseeing a company's daily operations (Kallamu & Saat, 2015). The audit committee is a key element of corporate governance and risk reduction related to the quality of financial reporting (Afify, 2009; Abernathy et al., 2015). The purpose of audit committees, which are legally constituted by external administrators with experience in internal control and financial analysis, is to monitor the effectiveness of the internal audit system in accordance with applicable regulations and to investigate matters pertaining to the preparation and control of accounting and financial information. Several countries have acknowledged the importance of audit committees and have implemented regulations on their establishment in corporate institutions. In Nigeria, audit committees—which are formed by the board of directors and are responsible for overseeing accounting and auditing procedures—are essential for maintaining the integrity of financial reporting and internal controls in businesses. The Companies and Allied Matters Act (CAMA) specifies the requirements for these committees.

Moreover, most of the literature chose to explain the impact, and there was no practical explanation. However, using a longer time and extending study reach by investigating companies, could provide a more in-depth interpretation that could lead to more reliable results. We expand the work that has alluded to the board audit committee relationship to corporate financial performance.

1.2. STATEMENT OF RESEARCH PROBLEM.

The role of the board audit committee has been experiencing an increasing interest, given the number of high failures in corporate financial performance and financial statements fraud in organizations. It has been noted that the prevalence of financial fraud reflects a negative image not only on the firm where the fraud happened, but also on the entire country. These issues bring about lower investment from domestic and foreign investors, hindering the growth of the firm, which affects the economic development of the country (Dakhlallah et al., 2020). Emeka-Nwokeji and Agubata (2019) noted that incessant corporate scandals across the world have resulted in increased attention on the need to improve financial reporting for the purpose of reforming the global economy and rebuilding public trust and confidence in business reported information.

The inclusion of this committee in the corporate governance mechanism raises shareholders' and the public's expectations for improved corporate governance, as well as confidence in the audit committees' role in ensuring that the board of directors meets the globally accepted pillars of corporate governance, accountability, fairness, responsibility, and transparency. As a result of the uncertainty around the accuracy of accounting information and audits, numerous countries have established codes of governance or best practices. Among these procedures is the creation of an audit committee. Companies in Nigeria have recently experienced alarming rates of failure in its financial performance, with much of the blame being attributed to a lack of a strong commitment to the doctrine of corporate governance, of which the audit committee is an essential component. Members of the audit committee do not always carry out their responsibilities effectively. Their performance can

be impacted by their autonomy from management. Thus board audit committees, such as associated directors, may have personal interests and economic ties to business management, compromising their independence.

The audit committee's size, financial accounting knowledge, experience, scrutiny of management activities, and appropriateness of actions are being questioned in light of the increasing rate of corporate collapse. There is some evidence that the audit committee strengthens the credibility of financial information as its principal mission is to supervise the preparation of financial reports, the effectiveness of internal control procedures (Bouaine & Hrichi, 2019). (Qeshta et al., 2021), the audit committee plays an imperative oversight role in monitoring corporate entities (Zraiq & Fadzil, 2018) by assisting the corporate board of directors in ensuring that the firm's financial information is reliable, transparent, and meets the highest accountability level.

Previous research proves that existence of external executives in the audit committee can reduce the unethical behaviour of directors, improve corporate transparency, together with the quality of information by mitigating the misstatement in the financial reports (Vlaminck & Sarens, 2015; Sultana et al., 2015) and improving the performance. The few earlier studies produced contradicting findings on the relationship between board audit committee and business financial performance. The justification of this study is to provide the link between the board audit committee and the corporate financial performance of an organization.

1.3. RESEARCH QUESTIONS.

The research aims to answer the following questions:

1. What is the effect of board size on the financial performance of listed firms?
2. How does board independence influence the financial performance of listed firms?
3. What relationship exists between audit committee size and the financial performance of listed firms?
4. Does audit committee independence significantly affect the financial performance of listed firms?
5. What is the effect of audit committee meeting frequency on the financial performance of listed firms?
6. How does audit committee financial expertise influence the financial performance of listed firms?
7. What is the impact of firm size (control variable) on the financial performance of listed firms?

1.4. OBJECTIVES OF THE STUDY.

General Objective

To examine the effect of board characteristics and audit committee attributes on the financial performance of listed firms.

Specific Objectives

1. To evaluate the effect of board size on the financial performance of listed firms.

2. To determine the influence of board independence on the financial performance of listed firms.
3. To assess the impact of audit committee size on the financial performance of listed firms.
4. To examine the relationship between audit committee independence and the financial performance of listed firms.
5. To investigate the effect of audit committee meeting frequency on the financial performance of listed firms.
6. To determine the effect of audit committee financial expertise on the financial performance of listed firms.
7. To evaluate the effect of firm size (control variable) on the financial performance (ROA) of listed firms.

1.5. RESEARCH HYPOTHESES.

The research hypotheses are stated in the null form. These hypotheses are formulated in line with the specific objectives as follows:

H01: Board size has no significant effect on the financial performance of listed firms.

H02: Board independence has no significant effect on the financial performance of listed firms.

H03: Audit committee size has no significant effect on the financial performance of listed firms.

H04: Audit committee independence has no significant effect on the financial performance of listed firms.

H05: Audit committee meeting frequency has no significant effect on the financial performance of listed firms.

H06: Audit committee financial expertise has no significant effect on the financial performance of listed firms.

H07: Firm size has no significant effect on the financial performance of listed firms.

1.6. SCOPE OF THE STUDY.

This research focuses on the relationship between the board audit committee and corporate financial performance and board audit committee characteristics (financial expertise, size, independence, and meetings) effect on corporate financial performance. This research is designed to focus on fifty (50) public listed companies in Nigeria, It is designed to cover the period 2018 - 2023. The choice of the company is based on the level of corporate financial performance of firms and on the availability of data on the corporate financial performance mechanisms used to measure the effects of the board audit committee on corporate financial performance.

1.7. SIGNIFICANCE OF THE STUDY.

In an emerging economy like Nigeria, the study will be important for standard-setters like the Financial Reporting Council of Nigeria (FRC) and regulatory bodies like the Securities and Exchange Commission (SEC) and Nigerian Stock Exchange (NSE) to increase

corporate reporting quality and transparency. If financial data presents an accurate and impartial picture of the company's operations, investors' trust can be restored. The findings on this research brings to bear the relationship between the board audit committee and corporate financial performance, and also the effect of the characteristics of the board audit committee on corporate financial performance.

Publicly listed companies stand to gain from the useful business insight this research seems to achieve. Publicly listed companies in Nigeria use financial information to set security prices for capital market consumption, investors of listed manufacturing firms use financial information to decide when to buy, sell or hold securities. The flow of information to the capital market, which is based on the financial statements of public listed Nigerian companies, is the foundation of market efficiency; if the information is inaccurate, analysts and investors are unable to appropriately evaluate the securities.

1.8. LIMITATIONS OF THE STUDY.

Despite the relevance of this study, certain limitations must be acknowledged. The study relies heavily on secondary data obtained from published annual reports and financial statements, which may be subject to reporting bias, inconsistencies, or omissions. The analysis is confined to a specific time frame, which may not capture long-term effects or the impact of broader economic or regulatory changes. The geographical scope of the study further limits its generalizability, as findings derived from Nigeria may not be applicable to others with different corporate governance structures and regulatory environments, while the study seeks to examine the relationship between audit committee characteristics and

corporate financial performance, it cannot establish definitive causality due to the potential influence of unobserved variables such as managerial quality, organizational culture, and macroeconomic conditions. The differences in the implementation and enforcement of corporate governance codes across firms or jurisdictions may affect the comparability of board audit committee effectiveness. These limitations highlight the need for cautious interpretation of the findings and suggest areas for future research.

CHAPTER TWO.

LITERATURE REVIEW.

2.1. CONCEPTUAL REVIEW.

2.1.1. BOARD AUDIT COMMITTEE.

The Nigerian Code of Corporate Governance (2018) recommends that every company establish a board committee responsible for audit functions, as part of efforts to promote transparency and accountability. Similarly, the Securities and Exchange Commission (SEC, 2003) requires all companies listed on the Nigerian Stock Exchange (NSE) to set up an audit committee. This provision highlights the significance of audit committees in enhancing corporate governance practices, protecting shareholder interests, and improving the reliability of financial reporting. A considerable number of previous and insightful studies have extensively examined the establishment of board audit committees, their significant relationship with the overall quality of financial statements issued, their diverse and critical activities, their degree of genuine independence, and the extent to which members are highly knowledgeable, professionally competent, and thoroughly experienced in the financial field (Nsour & AlRjoub, 2022).

The most recent concept of audit committees in Nigeria was the one issued by the Nigerian Stock Exchange “Directory of governance rules of companies listed on the Nigerian Stock Exchange 2011,” defined it as a committee that is composed of non-executive directors in the establishment where the directors should not be less than three. Two of them should be independent members and one of them should chair the committee. All committee members should be equipped with knowledge of corporate governance structure and are expected to

contribute significantly in this respect (Modum et al., 2013). (Carcello et.al., 2002) posited that an audit committee serves as an important corporate governance tool that uses non-executive directors as a means of control and oversight over several managerial roles, such as internal auditing, risk management, compliance, and financial and accounting affairs. The major goal for forming the audit committee is to increase audit quality and questioning of the board of directors.

The board audit committees are set up to oversee the financial reporting process in listed firms. Over the years, their role has developed into a monitoring mechanism that is especially important in situations with high agency costs, while also ensuring that information flows more transparently to shareholders (Adam et al., 2025). The board audit committee encompasses a standing committee of board of directors with responsibilities that include monitoring financial reporting, overseeing the external audit, and evaluating internal control systems (Cadbury Committee, 1992; FRC, 2016). Regulatory frameworks such as the Sarbanes-Oxley Act in the United States and OECD corporate governance principles have reinforced its importance by mandating independence, financial literacy, and clear authority over the auditor (SEC, 2003; G20/OECD, 2023). (Anderson et.al., 2004) found that full independent board audit committees bring about lower debt financing cost which indicates that all the members must be independent before there could be any significant impact.

(Aurthur Devitt, 1998:18-19) suggested that an audit committee is needed because, without it, there would not be adequate capital for business to thrive, as it represents the most reliable guardians of publicly quoted companies. Also, (Olowokure, 1989) was critical of the need to set up audit committees for publicly quoted companies in Nigeria to restore investors'

confidence and enhance the credibility of the system of financial reporting. Audit committees are generally expected to function effectively when their members are independent and knowledgeable. (Al-Thuneibat, 2006) notes that committees should mainly consist of non-executive directors to ensure objectivity in their oversight role. Similarly, (Arens et.al., 2012) describes the audit committee as a body of board members whose responsibility includes protecting the auditor's independence and safeguarding the integrity of financial reporting. More recent studies also show that independence and expertise in accounting or finance enhance financial reporting quality and reduce the likelihood of misstatements (Okpala, 2022; Mensah & Yeboah, 2022). In Nigeria, evidence suggests that while expertise is consistently linked with better reporting outcomes, the effect of independence is sometimes mixed (Emeh & Appah, 2023).

2.1.2. CORPORATE FINANCIAL PERFORMANCE.

Corporate financial performance can be explained as the outcomes of a firm's policies and operations in financial terms, reflecting its ability to generate profits, create value, and ensure sustainability. It is a multidimensional construct widely used in accounting, finance, and management research to assess organizational success (Richard et al., 2009). The accomplishment of a business entity is regarded as the body of the business in today's world and this is because a company's performance that is good, is enough to improve its growth. The excellence of the company is extracted from the company's financial statement. Corporate financial performance results from a series of continuous decisions made by corporate management (Vo & Ellis, 2016). It is essentially an indicator of efficiency,

reflected through ratios or measures of achievement that illustrate both the financial condition and outcomes of corporate operations. These outcomes are often captured in the company's stock price within the capital market. Strong financial performance tends to drive stock prices upward, thereby increasing corporate value (Abreu, 2016).

Maintaining sound financial performance is therefore critical for sustaining stock prices and ensuring the ability to attract funding. Financial performance is commonly assessed using financial ratios, which provide a basis for comparing inputs and outputs (Vo & Ellis, 2016). In this sense, corporate performance in the stock market represents the overall condition of the firm and the results of its operational activities. A strong financial performance is generally attributable to effective corporate management. This level of effective management, in turn, is supported by robust corporate governance structures (Vo & Ellis, 2016; Abreu, 2016). In order to achieve organizational development, it is essential to evaluate the firm's current performance, as this highlights the gap between its present state and its desired goals. According to (Riahi-Bekaoui, 2003), performance should be assessed not merely in terms of strategies and methods, but as an outcome that reflects the efficient utilization of resources. The success or failure of any firm largely depends on how effectively these resources are managed. Sound corporate governance practices, of which the audit committee is a critical component, play a significant role in enhancing firm performance. Effective governance enables firms to allocate resources more efficiently, improve accountability, and achieve sustainable results. Furthermore, corporate performance is influenced by the governance structures prevailing within the firm, since organizational progress is ultimately measured by financial outcomes. These outcomes, expressed through accounting profits, represent the

wealth created by the company before distribution to various stakeholders, particularly shareholders.

Financial performance can be assessed through a variety of approaches, which are broadly classified into accounting-based measures and market-based measures. According to research, most investors rely heavily on accounting ratios such as Earnings Per Share (EPS), Return on Equity (ROE), and Return on Assets (ROA) to evaluate a company's financial health. Similarly, (Kaplan & Norton, 1992) argued that financial performance indicators are essential for translating corporate strategy into measurable outcomes, while (Jensen & Meckling, 1976) highlighted the role of such measures in addressing agency problems between managers and shareholders. (Nwokeji, 2019) emphasized that firm performance can be viewed across seven dimensions: growth, profitability, market value, customer satisfaction, employee satisfaction, social performance, and environmental performance. This multidimensional perspective aligns with the view of (Freeman, 1984), who stressed the importance of incorporating both financial and non-financial indicators to reflect stakeholder interests. Although several researchers adopt multiple indicators to provide a holistic assessment of performance, this study focuses specifically on Earnings Per Share (EPS) as the primary measure of financial performance. EPS remains a widely used indicator because it reflects the returns available to shareholders, thereby serving as a reliable proxy for investor value (Lev & Thiagarajan, 1993).

2.1.3. BOARD AUDIT COMMITTEE FINANCIAL EXPERTISE.

Financial expertise has been shown to reduce fraudulent practices in corporate financial performance. This necessity was formally recognized in the United States with the enactment of the Sarbanes–Oxley Act (SOX, 2002), which requires all publicly listed companies to disclose whether their audit committees include a financial expert. Both PricewaterhouseCoopers (1999) and the SEC (2003) have argued that financial expertise is essential for ensuring that the board audit committee effectively carries out its core responsibilities of overseeing financial reporting and improving the overall quality of disclosures. The board audit committee is responsible for evaluating the organization’s ethical climate, reviewing financial records, ensuring compliance with laws and regulations, overseeing management processes, and assessing the effectiveness of information systems. Effective functioning of the audit committee requires that its members possess adequate skills and knowledge to discharge their responsibilities. As such, the inclusion of individuals without accounting or financial expertise is considered inappropriate, since financial literacy is essential for fulfilling oversight duties. According to the Blue Ribbon Committee (BRC, 1999), at least one member of the audit committee should possess accounting or related financial reporting expertise. Such expertise may be demonstrated through prior experience in accounting or finance, possession of competent accounting skills, or other comparable professional backgrounds that contribute to financial maturity. This may also include serving, or having served, as a senior officer with responsibility for financial oversight.

Audit committees that include financial experts are vital for strengthening corporate governance and improving reporting outcomes. (Kallamu and Saat, 2015) highlighted that

having professionals with accounting or finance backgrounds on the committee helps companies avoid errors and reduce conflicts between management and external auditors. (Gurusamy, 2017) further emphasized that the right personnel, equipped with sound knowledge, can significantly boost a company's financial performance and overall reporting quality. More recent evidence supports this view: audit committee financial expertise, alongside independence and meeting frequency, has been shown to enhance financial reporting quality in Nigerian listed firms (Umar & Madawaki, 2022). Similarly, a study on Egyptian listed companies found that audit committee effectiveness—particularly financial expertise—combined with strong external audit quality, plays a significant role in reducing earnings management and improving the reliability of reported earnings (Abdelsalam & Abdelghany, 2024). (Saleh et al., 2007) found that audit committee members' expertise and experience in auditing are positively associated with firm performance. Similarly, (Dezort & Salterio, 2001) emphasized that the effectiveness of the audit committee in supervising management is strongly linked to the transparency of reporting practices. The role of the audit committee extends beyond financial reporting to encompass the broader corporate reporting process, which requires members to possess adequate accounting knowledge and experience. Financial literacy among committee members is therefore essential, as it enhances their ability to interpret both financial and non-financial information disclosed in corporate reports and reduces the risk of fraud (Windram & Song, 2000). (Harrast & Olsen, 2007), as cited in (Orjinta & Ikueze, 2018), further demonstrated that when audit committee expertise is established, the committee exerts a significant influence under the Sarbanes–Oxley Act (SOX), thereby strengthening control over the financial reporting process. This

highlights the importance of professional qualifications, as financially literate members are better positioned to assist in monitoring management's reporting activities, especially in complex organizations and conglomerates with diverse structures.

(Lee & Stone, 1997) emphasises that the impact of audit committee competence on firm financial performance warrants empirical investigation. The effectiveness of an audit committee largely depends on the financial and accounting expertise of its members, which enables them to provide thorough oversight of financial reporting and internal controls (Yang & Krishnan, 2005). Consistent with this view, (Saleh et al.,2007) found that committees with greater financial knowledge and professional experience are better positioned to monitor management actions and reduce the risk of financial misstatements. (McDaniel et al., 2002) emphasize that having at least one audit committee member with expertise in finance and accounting is critical for safeguarding the credibility of reported earnings and the reliability of financial statements. This suggests that financial and accounting expertise among board audit committee members plays a critical role in promoting transparency, enhancing reporting credibility, and ultimately improving corporate financial performance.

2.1.4. BOARD AUDIT COMMITTEE SIZE.

Board audit committee size reflects the amount and diversity of resources available to the committee, particularly in terms of skills and knowledge (Karamanou & Vafeas, 2005). Larger committees are often associated with a broader pool of expertise, which can enhance oversight and improve the quality of financial reporting (Anderson et al., 2004). However, excessively large committees may suffer from coordination challenges and reduced efficiency,

suggesting that the effectiveness of committee size depends on achieving a balance between diversity of knowledge and manageable structure (Goodstein et al., 1994; Lin et al., 2006). The Code of Corporate Governance (2000) stipulates that an audit committee must consist of at least three members. Establishing this minimum size is considered crucial for ensuring a diverse range of skills and knowledge, which strengthens the committee's capacity to monitor financial reporting and internal controls effectively (Karamanou & Vafeas, 2005; DeZoort et al., 2002). Moreover, having at least three members allows the committee to distribute workloads efficiently, exercise independent judgment, and engage in thorough deliberations on complex accounting and auditing matters (Al-Matari et al., 2014).

(Dalton et al.,1999) reported a positive link between board size and monitoring effectiveness, indicating that larger boards generally have access to a broader range of resources and expertise, which can strengthen oversight and enhance firm performance. Similarly, (Yermack,1996) noted that boards with more members are often better positioned to supervise management decisions, although overly large boards may experience coordination and communication difficulties. Recent research also emphasizes that audit committee size, as a key component of the board, can affect the quality of financial reporting, with larger committees offering greater diversity of skills and more robust oversight (Karamanou & Vafeas, 2005; Hsu, 2017). These findings collectively indicate that an appropriately sized board or audit committee is critical for effective monitoring and improved corporate governance.

(Saleh et al.,2007) argued that larger audit committees are more likely to possess a diverse set of skills and expertise, which can strengthen monitoring and oversight functions.

This view is consistent with (Dalton et al.,1999), who found that larger boards benefit from greater resource availability and varied experience, enhancing their supervisory capacity. Recent evidence further supports this relationship, indicating that committees with varied expertise are more effective in detecting accounting irregularities and improving overall financial reporting quality (Hsu, 2017; Al-Matari et al.,2014). A smaller number of audit committee members may enhance effectiveness in influencing financial performance, as such committees are often more focused on addressing critical financial issues facing the company. From the perspective of agency theory, audit committees function as monitoring mechanisms to mitigate conflicts of interest between management and shareholders (Jensen & Meckling, 1976; Fama & Jensen, 1983). However, when committees become excessively large, coordination problems, free-riding, and reduced accountability can undermine their effectiveness (Lipton & Lorsch, 1992). Governance codes also emphasize the importance of having well-structured and balanced audit committees, highlighting that size should be sufficient to provide diversity of expertise but not so large as to impede decision-making (Cadbury Report, 1992; OECD, 2015; Mallin, 2019). Stewardship Theory (Donaldson & Davis, 1991) provides an alternative viewpoint by emphasizing that managers and board members, including audit committee members, are motivated to act as trustworthy stewards of organizational resources. Within this framework, the role of the audit committee extends beyond monitoring to include building trust, fostering collaboration, and ensuring strategic alignment between management and shareholders. An audit committee of appropriate size is therefore essential, as it facilitates constructive deliberation and balanced oversight while avoiding the inefficiencies and bureaucracy that may arise in excessively large committees

(Davis et al., 1997; Mallin, 2019). Resource Dependence Theory (Pfeffer & Salancik, 1978) adds further insight by emphasizing that audit committees contribute to organizational performance through their ability to secure external resources, professional expertise, and valuable networks. Committees with a larger membership often benefit from a wider range of skills and diverse professional backgrounds, which can strengthen financial oversight and improve the quality of reporting (Nicholson & Kiel, 2007; Hillman et al., 2009). However, when audit committees become too large, accountability may be weakened, and decision-making processes can be slowed, ultimately reducing the effectiveness of financial oversight and diminishing firm performance (Kor & Misangyi, 2008; Mallin, 2019).

2.1.5. BOARD AUDIT COMMITTEE INDEPENDENCE.

Board audit committee effectiveness is largely contingent upon the independence of its members, as they must remain free from the influence and pressure of senior management in order to carry out their monitoring responsibilities effectively (Kallamu & Saat, 2015). A board audit committee with a greater proportion of non-executive directors is generally regarded as more independent compared to one dominated by executive directors (Rahmat et al., 2009). Independence strengthens the committee's monitoring capacity, reduces agency problems, and lowers the risk of insider expropriation (Yeh, Chung, & Liu, 2011). From an agency theory perspective, independence ensures that audit committee members act in the best interest of shareholders by providing unbiased oversight of management (Fama & Jensen, 1983; Jensen & Meckling, 1976). Furthermore, corporate governance frameworks emphasize independence as a critical factor in safeguarding financial reporting integrity and protecting

shareholder interests (Cadbury Report, 1992; OECD, 2015). Extant research identifies audit committee independence as a critical characteristic, emphasizing its mandatory role in safeguarding the quality of financial information (Jean Bédard et al., 2004). Independence is fundamentally associated with the capacity of audit committees to operate with objectivity and without undue managerial influence, thereby strengthening their oversight responsibilities (Klein, 2002). Drawing on agency theory, independent directors play a crucial role in reducing information asymmetry and limiting agency costs by ensuring that financial reports accurately represent the firm's underlying performance (Jensen & Meckling, 1976). Board audit committees with a higher degree of independence are more effective in curbing opportunistic earnings management practices (Xie et al., 2003) and in reinforcing the ability of external auditors to deliver impartial and reliable reports (Carcello & Neal, 2000). Consequently, audit committee independence can be regarded as a fundamental pillar of sound corporate governance, acting as a protective mechanism against managerial opportunism while advancing transparency, accountability, and the overall reliability of financial reporting.

Audit committee independence, particularly through the inclusion of external members, enables the committee to exercise its supervisory responsibilities more effectively. Independent members are less likely to be influenced by management, which enhances objectivity in oversight (Fama & Jensen, 1983). Prior studies indicate that the presence of external directors on audit committees helps to mitigate managers' opportunistic behavior, thereby improving the credibility and transparency of reported information (De Vlaminc & Sarens, 2013; Sultana et al., 2015). This independence reduces the risk of earnings

manipulation and fosters more reliable financial disclosures (Klein, 2002; Xie et.al., 2003). The inclusion of independent and financially literate members has been shown to strengthen monitoring effectiveness, enhance firm performance, and improve investor confidence (Dinu & Nedelcu, 2015; Kallamu & Saat, 2015; Abbott et al., 2004). Empirical evidence also suggests that audit committees with external members are more likely to support high-quality audits and ensure compliance with regulatory requirements, thereby contributing to both accountability and long-term organizational performance (Carcello & Neal, 2000; DeFond et al., 2005). Independence in audit committee composition is a critical governance mechanism that curtails managerial opportunism, enhances transparency, and promotes both the quality of financial reporting and firm performance.

2.1.6. BOARD AUDIT COMMITTEE MEETING.

Meetings serve as an essential mechanism for discussing and addressing issues and challenges faced by companies. The frequency of audit committee meetings is often associated with the committee's ability to resolve problems and ensure effective oversight. In this regard, (Menon & Williams,1994) emphasises that audit committee meeting frequency is a significant measure of audit committee effectiveness. Subsequent studies provide further support for this perspective. For instance, (Xie et al., 2003) argue that frequent meetings enhance the committee's monitoring role, particularly in constraining earnings management. Similarly, (Abbott et al.,2004) find that companies with audit committees that meet more often are less likely to issue financial restatements, suggesting improved financial reporting quality. (Raghunandan & Rama, 2007) also highlights that frequent meetings allow for closer

interaction with external auditors, which contributes to stronger financial oversight. In addition, (Sharma et al.,2009) note that more frequent meetings provide audit committees with greater opportunities to engage in detailed discussions and respond to emerging risks. The frequency of meetings serves as an indicator of audit committee diligence, with more frequent meetings typically associated with stronger monitoring effectiveness, increased transparency, and improved corporate governance outcomes in organisations. (Bédard & Gendron, 2010) and (DeZoort et al.,2002) argue that the frequency of audit committee meetings serves as a strong indicator of the committee's ability to fulfill its oversight responsibilities.

Audit committee meeting frequency is often regarded as a strong predictor of the committee's effectiveness and overall viability. A higher number of meetings signals diligence and a proactive approach to addressing financial reporting issues (Menon & Williams, 1994; Raghunandan & Rama, 2007). From the perspective of financial statement users, fewer financial restatements are perceived as an indication of more reliable reporting, which reduces the burden of re-evaluating information and enhances confidence in the reporting process (Abbott et al., 2004; Sharma et al., 2009). Consequently, frequent and well-structured audit committee meetings contribute to greater transparency, timeliness, and credibility in financial reporting. (Iswatia & Anshoria, 2011) reported that increased audit committee activity, particularly through more frequent meetings, is associated with reduced revenue management practices. Similarly, (Core, 2010) noted that audit committees that meet regularly enhance the clarity, reliability, and transparency of financial reporting, thereby improving the overall quality of earnings. Supporting this perspective, prior studies have

shown that frequent audit committee meetings strengthen oversight, constrain earnings manipulation, and enhance the credibility of financial disclosures (Xie et al., 2003; Klein, 2002). (Abdul and Haneem, 2006) and Mohd (2007) found that fewer audit committee meetings may enhance financial performance by reducing the additional costs associated with frequent meetings. Other studies suggest that regular audit committee meetings have a positive impact on market-based measures of firm performance, as they strengthen monitoring and improve investor confidence (Kyereboah, 2008). (Raghunandan & Rama, 2007) emphasize that frequent meetings reflect diligence and allow audit committees to engage more actively with auditors and management, while (Sharma et al., 2009) argue that meeting frequency provides opportunities for timely responses to risks and emerging issues.

2.2. EMPIRICAL REVIEW.

Empirical evidence consistently demonstrates that audit committee characteristics play a critical role in shaping firm performance. (Dakhlallah et al., 2020), using panel regression on Jordanian firms, found that audit committee size, independence, and financial expertise were positively related to Tobin's Q, while stock ownership by committee members was negatively associated with performance. (Altın, 2024) confirmed that size, independence, and expertise significantly enhance firm outcomes, although meeting frequency showed no consistent effect. (Shamsuddin, 2022) reported that independence and size significantly improved firm value in Oman, while (Karim et al., 2024) documented similar results in the Bangladeshi banking sector. Prior evidence from Vietnam (Nguyen, 2014) also highlighted the positive association between independent committee members and both Tobin's Q and

ROA. These studies suggest that audit committees with greater size, independence, and financial expertise are better positioned to provide effective oversight and improve market-based performance. However, the impact of meeting frequency appears to depend more on the quality of discussions and decisions made during meetings than on the sheer number of meetings held. The results demonstrate that audit committee size, independence, and financial expertise positively and significantly contribute to firm performance. (Carcello and Neal, 2000) found that independent audit committees are more inclined to back external auditors in issuing going-concern opinions, thereby strengthening accountability structures. Subsequent studies across both developed and emerging economies have reinforced this evidence, indicating that independence remains a critical governance mechanism, especially in settings where external monitoring is relatively weak.

An expanding stream of empirical studies highlights financial expertise within audit committees as a key factor influencing corporate financial performance. Having members with strong accounting or financial backgrounds strengthens the committee's capacity to analyze complex financial reports, evaluate managerial decisions, and provide more effective oversight of external audit activities. (DeFond et al., 2005) provided early evidence that investors respond favorably to the appointment of financial experts to audit committees, interpreting such appointments as signals of stronger governance and oversight. In a similar vein, (Bédard et al., 2004) found that financial expertise, particularly when paired with committee independence, plays a crucial role in constraining aggressive earnings management and enhancing the reliability of reported financial results. (Krishnan & Visvanathan, 2008) found that the presence of financial expertise on audit committees is

positively linked to higher earnings quality. (Dhaliwal et al.,2010) observed that financial expertise contributes to shorter audit report lags, thereby enhancing the timeliness of financial disclosures. In the context of emerging markets, (Sultana & Zahid, 2018) reported that financial expertise not only improves firm valuation but also mitigates information asymmetry, a relationship that is particularly significant in settings with weaker institutional oversight. (Altın, 2024), in a meta-analysis of 39 empirical studies, found consistent evidence that audit committee expertise positively influences firm outcomes such as market valuation and financial reporting quality. The findings suggest that financial expertise enhances the technical effectiveness of oversight while simultaneously serving as a governance signal to external stakeholders, ultimately fostering greater transparency, accountability, and sustainable financial performance.

(Al-Matari et al., 2014) observed that larger committees contribute to better monitoring in Saudi listed companies, reinforcing the argument that size can improve governance effectiveness. Some scholars caution that excessively large committees may face coordination difficulties, reduced cohesion, and diluted accountability, which can ultimately hinder effective decision-making (Yermack, 1996; Anderson et al., 2004). This has prompted the view that the relationship between audit committee size and firm performance is likely non-linear. While moderate expansions in committee size often enhance effectiveness by improving oversight capacity, exceeding an optimal threshold may erode these benefits. In such cases, the advantages of diversity and resource availability are offset by coordination difficulties and inefficiencies (Kyereboah-Coleman, 2008). Supporting this perspective, (Alqatamin, 2018), in the context of emerging markets, found that although larger

committees help mitigate agency conflicts, excessively large committees may compromise efficiency and governance quality. (Menon & Williams, 1994) and (Raghunandan & Rama, 2007) found that more frequent meetings are associated with stronger monitoring and lower risks of financial misstatements. (Abbott et al., 2004) similarly reported that active committees significantly reduce the likelihood of financial restatements. Nonetheless, the evidence is not unequivocal. (Sharma et al., 2009) argued that it is the quality rather than the quantity of meetings that determines effectiveness, since some firms hold frequent but largely perfunctory meetings. This ambiguity suggests that while frequent meetings are generally beneficial, their impact on corporate financial performance depends on substantive engagement and member expertise.

(Gabriela, 2016) investigated the impact of audit committee characteristics on the financial performance of non-financial firms listed on the London Stock Exchange. Motivated by increased scrutiny of audit committees in the aftermath of major accounting scandals, the study revealed that certain attributes of audit committees significantly influence firm outcomes. Specifically, committee size, meeting frequency, and financial expertise were found to be positively associated with firm performance. The independence of the audit committee exhibited a negative relationship with organizational outcomes, suggesting that excessive independence may sometimes reduce the committee's ability to align closely with firm-specific needs. These findings resonate with prior research by (Abbott et al., 2004), who reported that active and financially knowledgeable audit committees enhance financial reporting quality, and (Dakhlallah et al., 2020), who confirmed a positive link between committee size, expertise, and Tobin's Q among Jordanian firms. Other studies, such as

(Klein, 2002) and (Xie et al., 2003), emphasize that independence remains a critical safeguard against earnings manipulation, particularly in contexts with weak external monitoring.

2.3. THEORETICAL REVIEW.

This study examines the impact of audit committee characteristics—*independence, financial expertise, size, and meeting frequency*—on corporate financial performance. The theoretical foundations of agency, resource dependence, stewardship, and signaling theories provide a coherent explanation for why these characteristics influence firm outcomes. Agency theory (Jensen & Meckling, 1976) highlights the potential conflict of interest between managers and shareholders. Within this framework, the study emphasizes audit committee independence and financial expertise, as these attributes enable committee members to act as effective monitors. By mitigating opportunistic managerial behavior and reducing information asymmetry, independent and financially knowledgeable committees help ensure that financial reports accurately reflect the firm's true performance. Empirical evidence from (Klein, 2002; Xie et al., 2003; Gabriela, 2016) corroborates this perspective, demonstrating that committees with independence and expertise enhance both earnings quality and overall firm performance. It investigates whether higher independence and expertise levels of audit committees in Nigerian listed firms enhance financial reporting quality and market-based performance metrics, consistent with agency theory predictions.

Resource dependence theory (Pfeffer & Salancik, 1978) highlights that boards and committees provide critical resources, including knowledge, expertise, and networks, which help firms achieve strategic goals. In this study, audit committee financial expertise and diverse membership represent vital resources that improve oversight quality, interpret complex financial data, and support effective decision-making. Evidence from (DeFond et al., 2005), (Sultana & Zahid, 2018), and (Altın, 2024) demonstrates that these resources reduce information asymmetry and improve firm valuation. This study investigates how audit committee expertise and size provide valuable resources to Nigerian firms, thereby improving financial reporting quality and enhancing overall firm performance.

Stewardship theory (Davis et al., 1997) posits that managers and directors are motivated to act in the best interests of the firm and its shareholders. Audit committees, through diligent oversight and frequent meetings, facilitate collaborative monitoring that supports managerial stewardship rather than simply imposing control. Findings from (Gabriela, 2016) and (Kyereboah-Coleman, 2008) suggest that moderate-sized, active committees improve firm performance by enabling managers to make ethically and financially sound decisions. This study investigates whether audit committee meeting frequency and optimal committee size foster stewardship, leading to enhanced corporate financial performance in Nigerian listed companies.

Signaling theory (Spence, 1973) explains how audit committee characteristics act as credible indicators of governance quality to investors and other stakeholders. Committee independence, expertise, and meeting diligence signal transparency and integrity, reducing perceived risk and enhancing market confidence. Empirical evidence from (DeFond et al.,

2005), (Bédard et al., 2004), and (Altın, 2024) supports the notion that strong audit committees positively influence investor perception and market-based performance. The attributes of audit committees in Nigerian firms, this study examines whether these characteristics serve as signals that influence investor confidence, thereby affecting market valuation and overall firm performance.

CHAPTER THREE.

METHODOLOGY.

3.1. RESEARCH DESIGN.

This study adopted an ex-post facto research design, as it examined the relationship between board audit committee characteristics (independent variables) and corporate financial performance (dependent variable). Ex-post facto design is appropriate because it investigates cause-and-effect relationships after the events have occurred, without manipulation of variables (Kerlinger & Lee, 2000; Nwankwo, 2016). This approach allowed the study to explore how variations in audit committee features influence firm outcomes based on existing data.

3.2. POPULATION AND SAMPLE.

This study population covers 146 listed companies in Nigeria whose shares are quoted (listed) and traded on the Nigerian Exchange Group (NGX), formerly called the Nigerian Stock Exchange (NSE). However, because of the difficulties that will be faced accessing data covering the whole population, the study adopts a sample. The sample covers

Banking/Finance, Consumer Goods, Industrials/Building Materials, Oil & Gas, ICT, Healthcare, Services, Agriculture so Board Audit Committee practices across industries are represented.

In selecting this sample, the Nigeria Exchange Group (NGX) market is heterogeneous (banks, consumer goods, industrial, oil and gas, ICT, health care, Small growth firms). Stratified purposive sampling technique was used for this study. Stratified purposive sampling is a qualitative research method where a population is divided into subgroups (strata), and then specific, non-random participants are intentionally selected from each group. Stratification ensures representation from major sectors so sectoral governance norms do not confound your results. Therefore selecting 50 firms strikes a pragmatic balance because it is large enough for cross-sectional regressions and sectoral subsample checks, yet small enough to hand-code Board Audit Committee attributes and collect detailed financials.

Hence a sample of 50 companies were selected randomly and their annual reports were analysed.

3.3. SAMPLING METHOD.

The sampling method was adopted in selecting fifty (50) public listed companies in Nigeria traded on the Nigeria Exchange Group (NGX) with a complete data set required for the research. The complete data set explains that the board audit committee measures board audit committee financial expertise, size, independence, and meetings. The annual data from the sampled listed companies were obtained for a period of 6 years spanning from 2018 - 2023.

3.4. SOURCE OF DATA.

This study makes use of secondary data obtained from the annual reports of companies listed on the Nigerian Exchange Group (NGX). The data cover a six-year financial period from 2018 to 2023. Annual reports were selected as the primary source of information because they are readily available, reliable, and publicly accessible through the NGX official website and the investor-relations portals of the respective companies. They provide comprehensive financial and governance disclosures, including details on board audit committee composition, size, and meetings, as well as key financial performance indicators such as return on assets (ROA), return on equity (ROE), and Tobin's Q. The use of NGX annual reports ensures consistency and comparability of data across firms and time periods, as all listed entities are required by regulation to prepare and publish their financial statements in compliance with the International Financial Reporting Standards (IFRS) and the Companies and Allied Matters Act (CAMA) provisions. This makes them suitable for assessing the relationship between board audit committee characteristics and corporate financial performance among publicly quoted firms in Nigeria.

3.5. METHOD OF DATA ANALYSIS.

The data for this study were analysed using panel regression techniques. Panel regression is particularly suitable for research involving pooled data, as it allows the integration of both cross-sectional and time-series dimensions (Gujarati, 2003; Baltagi, 2008). To enhance the reliability of the analysis, three distinct panel regression models were

estimated, each incorporating a different dependent variable to capture the various dimensions of firm performance.

3.6. Model Specification

This study is designed to examine the effect of board and audit committee characteristics on the financial performance of listed firms in Nigeria. The dependent variable is corporate financial performance, which is measured using return on assets (ROA), return on equity (ROE) and Tobin's Q. The independent variables are board size, board independence, audit committee size, audit committee independence and audit committee meeting frequency. Firm size and leverage are introduced as control variables to give a more reliable result.

This model was adapted from previous corporate-governance studies such as Klein (2002), Uwuigbe (2013), and Sunday and Godwin (2017), with modifications to reflect the Nigerian context and the period under review (2018–2023). Accordingly, the relationship among the variables can be expressed in a functional form as:

$$CFP_{it} = f(BDSIZE_{it}, BDIND_{it}, ACSIZE_{it}, ACIND_{it}, ACMF_{it}, FSIZE_{it}, LEV_{it})$$

The econometric model is therefore stated as:

$$CFP_{it} = \beta_0 + \beta_1 BDSIZE_{it} + \beta_2 BDIND_{it} + \beta_3 ACSIZE_{it} + \beta_4 ACIND_{it} + \beta_5 ACMF_{it} + \beta_6 ACEXP + \beta_7 FSIZE_{it} + \beta_8 LEV_{it} + \mu_{it}$$

Where:

- . CFP = financial performance of firm *i* in year *t* (measured by ROA, ROE, Tobin's Q)
- . BDSIZE = number of directors on the board
- . BDIND = proportion of independent directors on the board
- . ACSIZE = number of members in the audit committee

- . ACIND = proportion of independent members in the audit committee
- . ACMF = number of audit committee meetings held in a year
- . ACEXP = Audit Committee Financial Expertise
- . FSIZE = size of the firm (proxied by the natural log of total assets)
- . LEV = financial leverage (measured as total debt divided by total equity)
- . β_0 = constant term
- . $\beta_1 \dots \beta_8$ = coefficients of the explanatory variables
- . μ = error term
- . I = firm, t = year

3.7. OPERATIONALISATION OF VARIABLES (MEASUREMENTS).

Variable	Symbol	Measurement (Operational Definition)	Source of Data
Corporate Financial Performance (Dependent Variable)	CFP_{it}	Measured using: 1. ROA = Net Income ÷ Total Assets 2. ROE = Net Income ÷ Shareholders' Equity 3. Tobin's Q = (Market Value of Equity + Total Debt) ÷ Total Assets	Annual reports, audited financial statements
Board Size	$BDSIZE_{it}$	Total number of directors on the board	Annual reports
Board Independence	$BDIND_{it}$	Proportion of independent/non-executive directors on the board	Annual reports
Audit Committee Size	$ACSIZE_{it}$	Total number of members on the audit committee	Annual reports
Audit Committee Independence	$ACIND_{it}$	Proportion of independent/non-executive members in the audit committee	Annual reports
Audit Committee Meeting Frequency	$ACMF_{it}$	Number of times the audit committee met in a financial year	Annual reports

Audit Committee Financial Expertise	$ACEXP_{it}$	Proportion of board audit committee members with professional accounting/finance qualifications.	Annual reports
Leverage (Control Variable)	LEV_{it}	Total Debt ÷ Total Assets	Annual reports
Firm size	$FSIZE_{it}$	The logarithm of a firm's total asset	Annual reports

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

In this chapter, the various variables employed in this study are tested, presented and interpreted in order to give meaningful results that can be used for decision purposes and policies. The chapter starts with descriptive statistics, followed by the Histogram Normality Test, Correlation analysis, and regression diagnostics which include: The Breusch-Pagan-Godfrey Test of Heteroskedasticity, Breusch-Godfrey Test of Serial Correlation, Hausman Test and the regression analysis result.

4.2 Descriptive Statistics

The main features of a dataset are summarized by descriptive statistics. These statistics aid in comprehending the data's variability and central trend. The mean, median, and mode which stand for the average, middle value, and most frequent value, respectively are examples of measures of central tendency. Standard deviation, variance, minimum and maximum values, kurtosis, and skewness, on the other hand, are examples of variability measurements that show the distribution shape and dispersion of the data. The study variables' summary statistics are shown in the table below:

DESCRIPTIVE ANALYSIS

Table 4.1: Results of the Descriptive Analysis of the Regression Variables

	CFP	BDSIZE	BDIND	ACSIZE	ACIND	ACMF	ACEXP	FSIZE
Mean	0.0389	9.7067	2.7983	2.7895	0.6763	4.1867	7.2087	17.457
Median	0.0195	10.000	2.8332	2.8332	0.6000	4.0000	9.5000	17.153
Maximum	6.1743	22.000	3.0445	3.0445	1.0000	15.000	16.000	23.978
Minimum	-2.3599	1.0000	1.6094	1.6094	0.0000	0.0000	0.0000	10.956
Std. Dev.	0.4194	3.6886	0.2138	0.2012	0.2768	1.7460	5.8637	2.6826
Skewness	9.5568	0.4955	-3.9840	-4.0542	-0.4093	1.0684	-0.1848	0.2068

Kurtosis	158.90	2.9617	22.672	24.252	2.6739	10.841	1.2672	2.3943
Jarque-Bera	308393	12.296	5630.9	6467.5	9.7052	825.65	39.241	6.7240
Probability	0.0000	0.0021	0.0000	0.0000	0.0078	0.0000	0.0000	0.0347
Sum	11.659	2912.0	839.54	83685	202.89	1256.0	2162.6	5237.1
Sum Sq. Dev.	52.586	4068.2	13.671	12.099	22.902	911.55	10280	2151.8
Observations	300	300	300	300	300	300	300	300

Source: Author compilation using Eviews 10 (2025)

The data provides a detailed overview of the corporate governance characteristics and financial performance of firms in Nigeria, focusing on variables such as financial performance (CFP, measured by ROA), board size (BDSIZE), proportion of independent directors (BDIND), audit committee size (ACSIZE), proportion of independent audit committee members (ACIND), number of audit committee meetings (ACMF), audit committee financial expertise (ACEXP), and firm size (FSIZE).

Financial Performance (CFP) has a mean of 0.0389, indicating that, on average, firms achieve modest profitability relative to their assets. The standard deviation of 0.4194 reveals considerable variability in performance across firms. The minimum value of -2.3599 and maximum of 6.1743 suggest that while some firms perform exceptionally well, others experience significant losses. The strong positive skewness (9.5568) and extremely high kurtosis (158.90) indicate that most firms cluster around low performance levels, with a few

extreme high-performing outliers. The Jarque-Bera statistic (308,393, $p < 0.01$) confirms that the distribution is highly non-normal.

Board Size (BDSIZE) has an average of 9.7067 members, with a median of 10.000, suggesting that most firms maintain moderately sized boards. The standard deviation of 3.6886 indicates some variability, while skewness (0.4955) and kurtosis (2.9617) show a fairly symmetrical and moderately peaked distribution. The Jarque-Bera test (12.296, $p = 0.0021$) indicates slight deviation from normality.

Proportion of Independent Directors (BDIND) averages 2.7983, with a median of 2.8332. The negative skewness (-3.9840) and high kurtosis (22.672) suggest that most boards have slightly fewer independent directors than the mean, but a few firms have significantly higher proportions. The Jarque-Bera statistic (5630.9, $p < 0.01$) confirms non-normality.

Audit Committee Size (ACSIZE) has a mean of 2.7895 and a median of 2.8332, showing that audit committees are generally small and similar in size across firms. The negative skewness (-4.0542) and high kurtosis (24.252) indicate that most firms have audit committees smaller than the mean, with a few larger committees acting as outliers. The Jarque-Bera test (6467.5, $p < 0.01$) confirms non-normality.

Proportion of Independent Audit Committee Members (ACIND) averages 0.6763, with a median of 0.6000. The negative skewness (-0.4093) indicates that most firms have slightly higher independence than the mean, while kurtosis (2.6739) suggests a moderately peaked distribution. The Jarque-Bera statistic (9.7052, $p = 0.0078$) confirms non-normality.

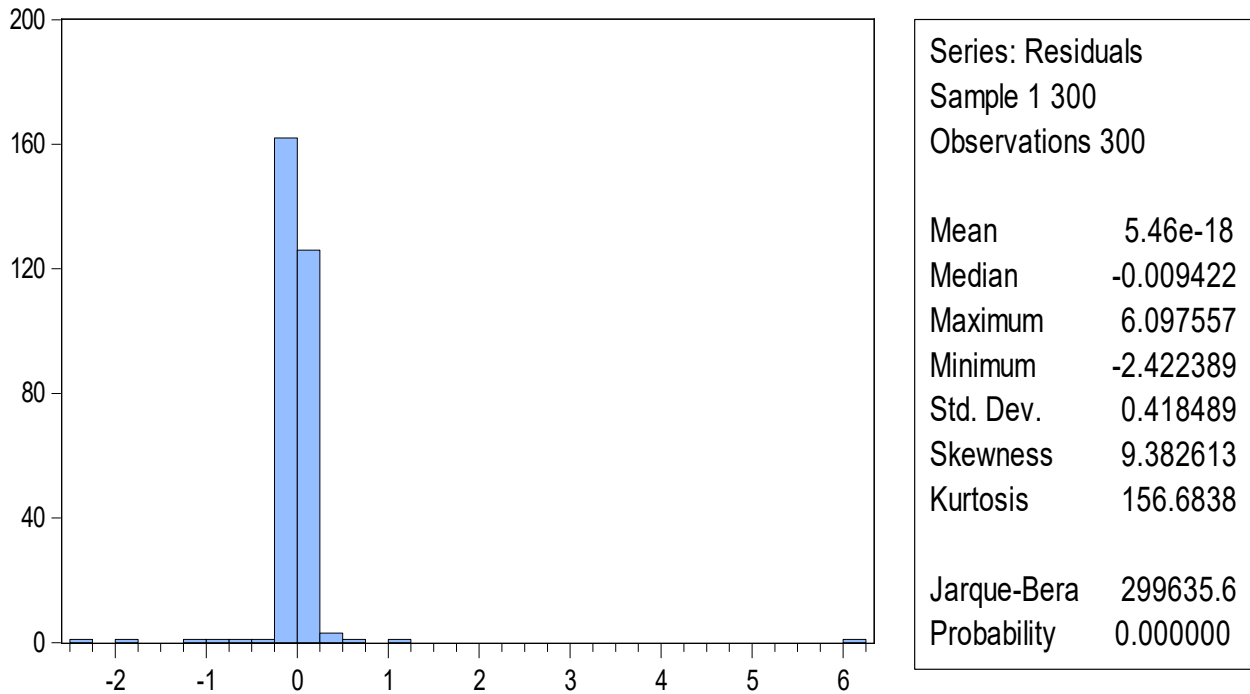
Number of Audit Committee Meetings (ACMF) has a mean of 4.1867 and a median of 4.0000, indicating that audit committees meet approximately four times per year. The

positive skewness (1.0684) and high kurtosis (10.841) suggest that most firms hold few meetings, but a few have an unusually high number of meetings. The Jarque-Bera statistic (825.65, $p < 0.01$) confirms non-normality.

Audit Committee Financial Expertise (ACEXP) shows a mean of 7.2087 and median of 9.5000, highlighting that some audit committees possess strong financial expertise, though others have little or none. The distribution is fairly symmetrical (skewness = -0.1848) but relatively flat (kurtosis = 1.2672). The Jarque-Bera statistic (39.241, $p < 0.01$) confirms non-normality.

Firm Size (FSIZE), measured as the natural log of total assets, averages 17.457, with a median of 17.153, indicating that most firms are relatively large. The slight positive skew (0.2068) and kurtosis (2.3943) show that the distribution is nearly symmetric and moderately flat. The Jarque-Bera statistic (6.7240, $p = 0.0347$) suggests minor deviation from normality. The mean skewness, kurtosis and Jarque-Bera statistics are reported in the result of the histogram normality test in Fig 1.

Fig 1: Result of the Histogram Normality Test



Source: Author compilation using Eviews 10 (2025)

The results of the histogram normality test show a positive skewness value of 9.382613, indicating a right-skewed distribution. The kurtosis value of 156.6838 is higher than the benchmark of three, suggesting a leptokurtic distribution with a sharper peak. The degree of variability around the mean is indicated by the mean standard deviation, which is 0.418489. Furthermore, given the high significance of the test results, the Jarque-Bera statistic of 299635 with a probability value of 0.000000 indicates that the data do not fit a Gaussian normal distribution.

4.3 Correlation Analysis

Table 4.2: Result of the Correlation Analysis

Covariance Analysis: Ordinary
Date: 11/16/25 Time: 08:31

Sample: 1 300
 Included observations: 300

Correlation t-Statistic Probability	CFP	BDSIZE	BDIND	ACSIZE	ACIND	ACMF	ACEXP	FSIZE
CFP	1.0000 ----- -----							
BDSIZE	0.0196 0.3384 0.7353	1.0000 ----- -----						
BDIND	-0.0458 -0.7914 0.4293	-0.0285 -0.4923 0.6229	1.0000 ----- -----					
ACSIZE	-0.0292 -0.5037 0.6148	-0.0019 -0.0325 0.9741	0.7786 21.419 0.0000	1.0000 ----- -----				
ACIND	0.0146 0.2515 0.8016	0.2373 4.2168 0.0000	-0.0666 -1.1529 0.2499	-0.0385 -0.6658 0.5061	1.0000 ----- -----			
ACMF	-0.0031 -0.0535 0.9574	0.3731 6.9414 0.0000	-0.0631 -1.0919 0.2758	-0.0327 -0.5641 0.5731	0.4708 9.2133 0.0000	1.0000 ----- -----		
ACEXP	0.0009 0.0154 0.9877	-0.1325 -2.3079 0.0217	0.1555 2.7168 0.0070	0.0979 1.6973 0.0907	-0.0328 -0.5668 0.5713	-0.1889 -3.3201 0.0010	1.0000 ----- -----	
FSIZE	-0.0326 -0.5634 0.5736	0.1821 3.1978 0.0015	-0.0126 -0.2179 0.8276	-0.0901 -1.5619 0.1194	-0.0135 -0.2338 0.8153	0.0609 1.0527 0.2933	-0.1376 -2.3978 0.0171	1.0000 ----- -----

Source: Author compilation using Eviews 10 (2025)

Table 4.2 above reveals the correlation results between financial performance (CFP) and several corporate governance characteristics, including board size (BDSIZE), board independence (BDIND), audit committee size (ACSIZE), audit committee independence

(ACIND), frequency of audit committee meetings (ACMF), audit committee financial expertise (ACEXP), and firm size (FSIZE). The correlation coefficients, along with their associated t-statistics and p-values, reveal the strength, direction, and statistical significance of these associations.

Financial performance (CFP) exhibits a very weak positive correlation with board size (0.0196), supported by a t-statistic of 0.3384 and a p-value of 0.7353. This indicates that increases in board size have virtually no meaningful influence on firm performance, and the relationship is statistically insignificant. This suggests that merely increasing the number of directors does not translate into improved monitoring or enhanced profitability. The relationship between CFP and board independence (BDIND) is weak and negative (-0.0458), with a non-significant p-value of 0.4293. This indicates that having more independent directors does not necessarily improve firm performance in the sampled firms. The weak relationship suggests that independent directors may not be exercising strong influence on strategic or financial outcomes, possibly due to limited involvement or informational disadvantages.

Audit committee size (ACSIZE) also shows a weak negative correlation with CFP (-0.0292), with a p-value of 0.6148, indicating statistical insignificance. This implies that the size of the audit committee has negligible effect on firm performance, possibly because effectiveness depends more on expertise and independence rather than number of members. The proportion of independent audit committee members (ACIND) exhibits a very weak positive correlation with CFP (0.0146), with a high p-value of 0.8016, indicating no meaningful or significant relationship. This weak correlation suggests that audit committee

independence alone is insufficient to influence firm outcomes, perhaps due to limited capacity or weak enforcement of oversight roles.

Audit committee meeting frequency (ACMF) shows a near-zero negative correlation (-0.0031) with financial performance, with a p-value of 0.9574. This implies that increased meeting frequency does not necessarily improve performance and may reflect reactive rather than proactive governance, especially when meetings arise in response to financial or operational challenges. Audit committee expertise (ACEXP) has a virtually zero positive correlation with CFP (0.0009) and a p-value of 0.9877, indicating no significant relationship. This suggests that having financially skilled audit committee members does not significantly impact firm performance, possibly because expertise is not effectively applied or is overshadowed by broader firm-level constraints. Firm size (FSIZE) shows a weak negative correlation with CFP (-0.0326), with a p-value of 0.5736, indicating no statistically significant relationship. This suggests that larger firms do not necessarily perform better or worse than smaller firms within the sample. The weak correlation implies that factors other than size such as operational efficiency, risk management, or industry conditions play a more dominant role in shaping financial outcomes.

4.4 Regression Diagnostics

Test of Heteroskedasticity

Table 4.3: Test of Heteroskedasticity

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	1.317739	Prob. F(7,292)	0.2415
Obs*R-squared	9.186689	Prob. Chi-Square(7)	0.2395
Scaled explained SS	677.4787	Prob. Chi-Square(7)	0.0000

Source: Author compilation using Eviews 10 (2025)

Table 4.3 displays the results of the Breusch-Pagan-Godfrey test for heteroskedasticity. The probability value obtained is 0.2415, which is greater than 0.05. This suggests that there is no issue of heteroskedasticity in the model. Therefore, the alternative hypothesis of homoskedastic residuals is accepted, indicating that the variance of the residuals in the regression model is constant.

Test of Serial Correlation

Table 4.4: Result of the Breusch-Godfrey Test of Serial Correlation

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	6.621200	Prob. F(2,75)	0.0022
Obs*R-squared	12.60575	Prob. Chi-Square(2)	0.0018

Source: Author compilation using Eviews 10 (2025)

The results from the Breusch-Godfrey Serial Correlation LM Test suggest that there is a significant issue with serial correlation in the model. The F-statistic is 6.621200, and its associated probability value (Prob. F(2,75)) is 0.0022, which is highly significant. This indicates that the null hypothesis of no serial correlation is rejected, suggesting that there is a

serial correlation present in the residuals of the regression model. However, the results of the correlation analysis did not pose any serious problem of multicollinearity, which validates the outcome of the absence of the problem of serial correlation on the average.

Ramsey Reset Test

Table 4.5: Results of the Ramsey RESET of Model Specification

Ramsey RESET Test
 Equation: UNTITLED
 Specification: CFP BDSIZE BDIND ACSIZE ACIND ACMF ACEXP FSIZE C
 Omitted Variables: Squares of fitted values

	Value	df	Probability
t-statistic	0.573087	291	0.5670
F-statistic	0.328428	(1, 291)	0.5670
Likelihood ratio	0.338395	1	0.5608

Source: Eviews 10 (2025)

The Ramsey RESET Test is used to detect model misspecification, particularly to check if any important nonlinear relationships have been omitted from the model. The t-statistic and F-statistic values are 0.573087 and 0.328428 respectively, with a corresponding p-value of 0.5670. Since the p-value is greater than the conventional significance level of 0.05, we fail to reject the null hypothesis that the model is correctly specified. This suggests that there is no evidence of misspecification in the model based on this test.

4.5 Analysis of the Regression Result Table 4.6: Result of the Regression Analysis

Dependent Variable: CFP
 Method: Least Squares
 Date: 11/16/25 Time: 08:30
 Sample: 1 300
 Included observations: 300

Variable	Coefficient	Std. Error	t-Statistic	Prob.
BDSIZE	0.179881	0.073080	2.461430	0.0248
BDIND	-0.103585	0.185515	-0.558362	0.5770
ACSIZE	0.409574	0.196190	2.087639	0.0302
ACIND	0.020848	0.101126	0.206163	0.8368
ACMF	-0.004996	0.016932	-0.295052	0.7682
ACEXP	0.671886	0.430556	3.62440	0.0203
FSIZE	-0.005623	0.009459	-0.594448	0.5527
C	0.351058	0.406597	0.863405	0.3886
R-squared	0.420351	Mean dependent var		0.038863
Adjusted R-squared	0.339671	S.D. dependent var		0.419371
S.E. of regression	0.423476	Akaike info criterion		1.145663
Sum squared resid	52.36485	Schwarz criterion		1.244431
Log likelihood	-163.8495	Hannan-Quinn criter.		1.185190
F-statistic	17.32598	Durbin-Watson stat		2.080128
Prob(F-statistic)	0.000081			

Source: Author compilation using Eviews 10 (2025)

Table 4.6 above displays the regression analysis's outcome. According to the preliminary analysis, the independent variables considered in this study are board size, proportion of independent directors on the board, audit committee size, proportion of independent members in the audit committee, number of audit committee meeting and audit committee financial expertise, while the control variables considered is firm size which collectively contribute to 42.03% of the variation in the financial performance of public listed firms in Nigeria which was captured by firms return on assets, with a coefficient of multiple determination of 0.420351 and an adjusted R-squared value of 0.339671. The error term,

however, captures the remaining 57.97%. The combined statistical significance of all the explanatory factors is indicated by the F-statistic value of 17.32, which is more than 2.

4.6 Test of Hypotheses

Hypothesis One: Board size has no significant effect on the financial performance of listed firms.

The coefficient for board size (BDSIZE) is 0.179881, indicating a positive relationship between board size and the financial performance (CFP) of the listed firms in the sample. This suggests that, holding other variables constant, an increase in the number of board members is associated with an improvement in firm performance. In other words, larger boards appear to contribute positively to organisational decision-making, monitoring, and strategic oversight, which may enhance financial outcomes. The t-statistic for board size is 2.461430, with an associated probability value of 0.0248, which is less than the 5% significance level. This implies that the effect of board size on financial performance is statistically significant. Therefore, the null hypothesis that board size has no significant effect on the financial performance of listed firms is rejected at the 5% significance level.

Hypothesis Two: Board independence has no significant effect on the financial performance of listed firms.

The regression results show that the coefficient of board independence (BDIND) is – 0.103585, indicating a negative relationship between board independence and the corporate financial performance (CFP) of listed firms. This suggests that, holding other variables constant, an increase in the proportion of independent directors is associated with a slight

decline in firm performance. However, the t-statistic of -0.558362 and the corresponding probability value of 0.5770 reveal that this effect is not statistically significant at the 5% level. Based on this evidence, the null hypothesis which states that board independence has no significant effect on the financial performance of listed firms is accepted.

Hypothesis Three: Audit committee size has no significant effect on the financial performance of listed firms.

The regression result indicates that the coefficient of audit committee size (ACSIZE) is 0.409574 , suggesting a positive relationship between audit committee size and the financial performance (CFP) of listed firms in Nigeria. This implies that, holding other variables constant, an increase in the size of the audit committee is associated with an improvement in firm financial performance. In other words, larger audit committees may provide enhanced oversight, broader expertise, and stronger monitoring functions that contribute to better governance outcomes. The t-statistic of 2.087639 and the corresponding probability value of 0.0302 indicate that the effect is statistically significant at the 5% level. Based on this evidence, the null hypothesis stating that audit committee size has no significant effect on the financial performance of listed firms is rejected.

Hypothesis Four: Audit committee independence has no significant effect on the financial performance of listed firms..

The regression result shows that the coefficient of audit committee independence (ACIND) is 0.020848 , indicating a positive but very weak relationship between audit committee independence and the financial performance (CFP) of listed firms in Nigeria. This suggests that, holding other variables constant, an increase in the independence of audit

committee members is associated with a slight improvement in firm financial performance. However, the t-statistic of 0.206163 and the probability value of 0.8368 reveal that the effect is not statistically significant at the 5% level. This implies that the observed relationship is not strong enough to conclude that audit committee independence plays a meaningful role in determining the financial performance of the listed firms. Therefore, the null hypothesis stating that audit committee independence has no significant effect on the financial performance of listed firms is accepted.

Hypothesis Five: Audit committee meeting frequency has no significant effect on the financial performance of listed firms.

The regression results show that the coefficient of audit committee meeting frequency (ACMF) is -0.004996 , indicating a very small negative relationship between meeting frequency and the financial performance (CFP) of listed firms. This means that, holding other variables constant, an increase in the number of audit committee meetings slightly reduces financial performance, although the magnitude of the effect is negligible. The t-statistic for ACMF is -0.295052 , with a corresponding probability value of 0.7682, which is far above the 5% significance threshold. This indicates that the effect of audit committee meeting frequency on the financial performance of listed firms is not statistically significant. Therefore, the null hypothesis stating that audit committee meeting frequency has no significant effect on the financial performance of listed firms is accepted at the 5% level of significance.

Hypothesis Six: Audit committee financial expertise has no significant effect on the financial performance of listed firms.

The regression result shows that the coefficient for audit committee financial expertise (ACEXP) is 0.671886, indicating a strong positive relationship between financial expertise and the financial performance (CFP) of listed firms. This suggests that firms with more financially knowledgeable or professionally skilled audit committee members tend to experience improved financial performance. The t-statistic for ACEXP is 3.62440, with a corresponding probability value of 0.0203, which is less than the 5% significance level. This shows that the positive effect of audit committee financial expertise on financial performance is statistically significant. Therefore, the null hypothesis stating that audit committee financial expertise has no significant effect on the financial performance of listed firms is rejected at the 5% level of significance.

Hypothesis Seven: Firm size has no significant effect on the financial performance of listed firms.

The regression output indicates that the coefficient for firm size (FSIZE) is -0.005623 , suggesting a negative relationship between firm size and the financial performance (CFP) of listed firms. This means that, holding other factors constant, an increase in firm size is associated with a slight decrease in firm financial performance. This may imply that larger firms experience higher operational costs, bureaucratic inefficiencies, or reduced agility, which can affect performance.

The t-statistic for firm size is -0.594448 , with a corresponding probability value of 0.5527, which is greater than the 5% significance threshold. This shows that the relationship is not

statistically significant. Based on this finding, the null hypothesis that firm size has no significant effect on the financial performance of listed firms is accepted at the 5% level of significance.

4.7 Discussion of Findings

The findings of this study provide insights into the influence of different board and audit committee characteristics on the financial performance of public listed firms in Nigeria. Board Size exhibited a positive and statistically significant effect (coefficient = 0.1799, $p = 0.0248$) on financial performance. This suggests that larger boards may improve firm performance by providing a broader mix of expertise and enhanced oversight. This result aligns with the research by Ilugbusi, et al., (2024), who found that board size positively affects organizational efficiency in Nigerian financial institutions. Conversely, Board Independence (BDIND) showed a negative but statistically insignificant effect (coefficient = -0.1036 , $p = 0.5770$) on financial performance. This suggests that merely increasing the proportion of independent directors does not guarantee better financial outcomes. This is consistent with findings by Irowa-Omoregie and Ohonba (2025), who reported that audit committee independence has an insignificant effect on operational efficiency in Nigerian firms. In many firms, the formal presence of independent directors may not translate into genuinely active oversight if their roles or influence are limited.

Among audit committee variables, Audit Committee Size (ACSIZE) had a positive and significant effect (coefficient = 0.4096, $p = 0.0302$) on financial performance. Larger audit committees appear to enhance financial oversight, reduce risk, and improve reporting

quality. This supports findings by Aigienohuwa and Irowa-Omoregie (2025), who observed that audit committee size significantly improves efficiency and performance in Nigerian manufacturing firms. Similarly, Audit Committee Financial Expertise (ACEXP) showed a strong positive and statistically significant effect (coefficient = 0.6719, $p = 0.0203$). Committees with members possessing financial expertise or professional accounting backgrounds significantly contribute to firm performance. This aligns with research by Akinleye et al., (2019), who found that audit committee expertise is positively associated with firm performance and market value in Nigerian banks.

Audit Committee Independence (ACIND) and Audit Committee Meeting Frequency (ACMF) showed no statistically significant effect on performance. ACIND had a coefficient of 0.0208 ($p = 0.8368$), and ACMF had a coefficient of -0.004996 ($p = 0.7682$). These results suggest that simply increasing the number of independent committee members or meeting more frequently does not necessarily improve financial performance. This observation is supported by Aigienohuwa and Irowa-Omoregie (2025), who noted that the effectiveness of committees depends more on the quality and competence of members rather than mere independence or frequency of meetings. Firm Size (FSIZE) demonstrated a negative but statistically insignificant relationship with financial performance (coefficient = -0.005623 , $p = 0.5527$), indicating that larger firms in this sample do not necessarily achieve better returns on assets. This may be due to bureaucratic inefficiencies or agency costs offsetting the advantages of scale, a view also suggested by Ilugbusi et al. (2024).

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

1. Board size has a positive and significant effect on financial performance.
2. Board independence has a negative but insignificant effect on financial performance.
3. Audit committee size has a positive and significant effect on financial performance.
4. Audit committee independence has a positive but insignificant effect on financial performance.
5. Frequency of audit committee meetings has a negative and insignificant effect on financial performance.
6. Audit committee financial expertise has a positive and significant effect on financial performance.
7. Firm size has a negative but insignificant effect on financial performance.

5.2 Conclusion

The study examines the influence of different board and audit committee characteristics on the financial performance of public listed firms in Nigeria. The study focused on 50 publicly listed firms in Nigeria. Different statistical and econometric measures were carried out, and the empirical results revealed both a positive and a negative relationship between board and audit committee characteristics and financial performance. The findings revealed that board size, audit committee size, and audit committee financial expertise have positive and statistically significant effect on financial performance of the sampled firms.

While board independence, audit committee independence, frequency of audit committee meeting and firm size have a statistical insignificant effect on financial performance of the sampled firms.

5.3 Recommendations

The following recommendations were made in line with the above findings:

1. Firms should maintain an optimal board size that allows for diverse perspectives while ensuring efficient decision-making. Regulators and firm management should consider guidelines for board composition to enhance strategic oversight and performance outcomes..
2. Firms should focus on enhancing the quality and engagement of independent directors. Training programs, clearer roles, and active participation in strategic decision-making could increase their effectiveness.
3. Firms should ensure that audit committees have adequate membership to provide comprehensive oversight of financial reporting and internal controls. Regulators could recommend minimum committee sizes tailored to firm complexity and risk profiles.
4. Firms should not only appoint independent audit committee members but also actively involve them in risk assessment and control monitoring. Providing specialized training or ensuring meaningful engagement in audits can improve their contribution to firm performance.

5. Firms should prioritize the quality and effectiveness of discussions during audit committee meetings. Emphasis should be placed on critical financial reviews, risk assessments, and timely reporting to the board.
6. Firms should ensure that audit committees include members with strong financial expertise to enhance monitoring and risk management capabilities. Continuing professional development and certifications for committee members can further strengthen financial oversight.
7. Although larger firm size does not inherently ensure superior performance, management should prioritize operational efficiency, optimal resource utilization, and effective processes. Growth strategies should be carefully designed to balance expansion with sustained profitability.

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APPENDIX

Appendix I : Operationalisation of Variables

Variable	Symbol	Measurement (Operational Definition)	Source of Data	Variable
Corporate Financial Performance (Dependent Variable)	CFP_it	$ROA = \frac{\text{Net Income}}{\text{Total Assets}}$	Annual reports, audited financial statements	Corporate Financial Performance (Dependent Variable)
Board Size	BDSIZE_it	Total number of directors on the board	Annual reports	Board Size
Board Independence	BDIND_it	Proportion of independent/non-executive directors on the board	Annual reports	Board Independence
Audit Committee Size	ACSIZE_it	Total number of members on the audit committee	Annual reports	Audit Committee Size
Audit Committee Independence	ACIND_it	Proportion of independent/non-executive	Annual reports	Audit Committee Independence

		members in the audit committee		
Audit Committee Meeting Frequency	ACMF_it	Number of times the audit committee met in a financial year	Annual reports	Audit Committee Meeting Frequency
Audit Committee Financial Expertise	ACEXP_it	Proportion of board audit committee members with professional accounting/finance qualifications.		Audit Committee Financial Expertise
				Annual reports

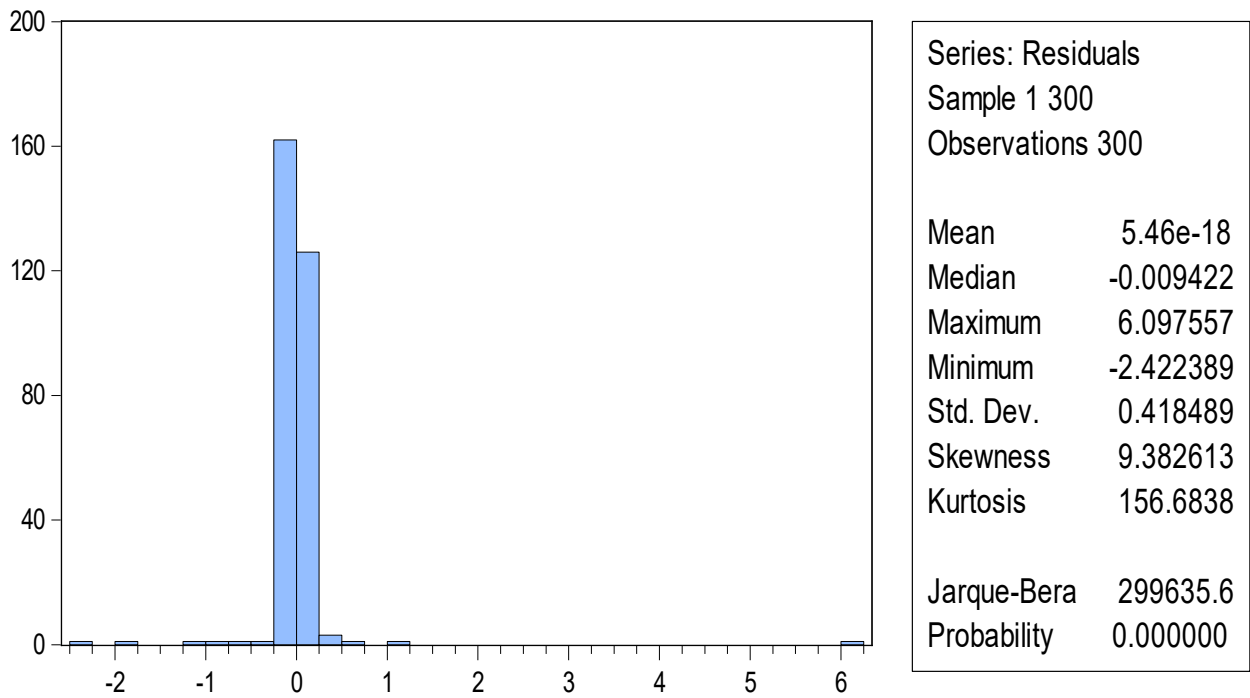
Appendix II: Descriptive Statistics

	CFP	BDSIZE	BDIND	ACSIZE	ACIND	ACMF	ACEXP	FSIZE
Mean	0.0389	9.7067	2.7983	2.7895	0.6763	4.1867	7.2087	17.457
Median	0.0195	10.000	2.8332	2.8332	0.6000	4.0000	9.5000	17.153
Maximum	6.1743	22.000	3.0445	3.0445	1.0000	15.000	16.000	23.978
Minimum	-2.3599	1.0000	1.6094	1.6094	0.0000	0.0000	0.0000	10.956
Std. Dev.	0.4194	3.6886	0.2138	0.2012	0.2768	1.7460	5.8637	2.6826
Skewness	9.5568	0.4955	-3.9840	-4.0542	-0.4093	1.0684	-0.1848	0.2068
Kurtosis	158.90	2.9617	22.672	24.252	2.6739	10.841	1.2672	2.3943
Jarque-Bera	308393	12.296	5630.9	6467.5	9.7052	825.65	39.241	6.7240
Probability	0.0000	0.0021	0.0000	0.0000	0.0078	0.0000	0.0000	0.0347
Sum	11.659	2912.0	839.54	83685	202.89	1256.0	2162.6	5237.1

Sum Sq. Dev.	52.586	4068.2	13.671	12.099	22.902	911.55	10280	2151.8
Observations	300	300	300	300	300	300	300	300

Appendix III : Histogram Normality test

Fig 1: Result of the Histogram Normality Test



Source: Author compilation using Eviews 10 (2025)

Appendix IV: Correlation Analysis

Table 4.2: Result of the Correlation Analysis

Covariance Analysis: Ordinary

Date: 11/16/25 Time: 08:31

Sample: 1 300

Included observations: 300

Correlation t-Statistic Probability	CFP	BDSIZE	BDIND	ACSIZE	ACIND	ACMF	ACEXP	FSIZE
CFP	1.0000 ----- -----							
BDSIZE	0.0196 0.3384 0.7353	1.0000 ----- -----						
BDIND	-0.0458 -0.7914 0.4293	-0.0285 -0.4923 0.6229	1.0000 ----- -----					
ACSIZE	-0.0292 -0.5037 0.6148	-0.0019 -0.0325 0.9741	0.7786 21.419 0.0000	1.0000 ----- -----				
ACIND	0.0146 0.2515 0.8016	0.2373 4.2168 0.0000	-0.0666 -1.1529 0.2499	-0.0385 -0.6658 0.5061	1.0000 ----- -----			
ACMF	-0.0031 -0.0535 0.9574	0.3731 6.9414 0.0000	-0.0631 -1.0919 0.2758	-0.0327 -0.5641 0.5731	0.4708 9.2133 0.0000	1.0000 ----- -----		
ACEXP	0.0009 0.0154 0.9877	-0.1325 -2.3079 0.0217	0.1555 2.7168 0.0070	0.0979 1.6973 0.0907	-0.0328 -0.5668 0.5713	-0.1889 -3.3201 0.0010	1.0000 ----- -----	
FSIZE	-0.0326 -0.5634 0.5736	0.1821 3.1978 0.0015	-0.0126 -0.2179 0.8276	-0.0901 -1.5619 0.1194	-0.0135 -0.2338 0.8153	0.0609 1.0527 0.2933	-0.1376 -2.3978 0.0171	1.0000 ----- -----

Source: Author compilation using Eviews 10 (2025)

Appendix V: Heteroskedastic Test

Test of Heteroskedasticity

Table 4.3: Test of Heteroskedasticity

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	1.317739	Prob.F(7,292)	0.2415
Obs*R-squared	9.186689	Prob. Chi-square(7)	0.2395
Scaled explained SS	677.4787	Prob. Chi-square(7)	0.0000

Source: Author compilation using Eviews 10 (2025)

Appendix VI: Test of Serial Correlation

Table 4.4: Result of the Breusch-Godfrey Test of Serial Correlation

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	6.621200	Prob. F(2,75)	0.0022
Obs*R-squared	12.60575	Prob. Chi-Square(2)	0.0018

Source: Author compilation using Eviews 10 (2025)

Appendix VII: Ramsey Reset Test

Table 5: Results of the Ramsey RESET of Model Specification

Ramsey RESET Test

Equation: UNTITLED

Specification: CFP BDSIZE BDIND ACSIZE ACIND ACMF ACEXP FSIZE C

Omitted Variables: Squares of fitted values

	Value	df	Probability
t-statistic	0.573087	291	0.5670
F-statistic	0.328428	(1, 291)	0.5670
Likelihood ratio	0.338395	1	0.5608

Source: Eviews 10 (2025)

Appendix VIII: Analysis of the Regression

Dependent Variable: CFP
Method: Least Squares
Date: 11/16/25 Time: 08:30
Sample: 1 300
Included observations: 300

Variable	Coefficient	Std. Error	t-Statistic	Prob.
BDSIZE	0.179881	0.073080	2.461430	0.0248
BDIND	-0.103585	0.185515	-0.558362	0.5770
ACSIZE	0.409574	0.196190	2.087639	0.0302
ACIND	0.020848	0.101126	0.206163	0.8368
ACMF	-0.004996	0.016932	-0.295052	0.7682
ACEXP	0.671886	0.430556	3.62440	0.0203
FSIZE	-0.005623	0.009459	-0.594448	0.5527
C	0.351058	0.406597	0.863405	0.3886
R-squared	0.420351	Mean dependent var		0.038863
Adjusted R-squared	0.339671	S.D. dependent var		0.419371
S.E. of regression	0.423476	Akaike info criterion		1.145663
Sum squared resid	52.36485	Schwarz criterion		1.244431
Log likelihood	-163.8495	Hannan-Quinn criter.		1.185190
F-statistic	17.32598	Durbin-Watson stat		2.080128
Prob(F-statistic)	0.000081			

Source: Author compilation using Eviews 10 (2025)