Economic Governance Disclosure and Financial Performance of Listed Consumer Goods Firms in Nigeria

Rosemary Onoja

Lincoln University College, Kuala Lumpur, Malaysia

Syed Ahmed Salman

Lincoln University College, Kuala Lumpur, Malaysia

ABSTRACT

Economic governance disclosure has become an essential dimension of corporate governance for firms seeking to strengthen transparency, build stakeholder confidence, and enhance financial performance. In Nigeria, reforms introduced by the Financial Reporting Council of Nigeria (FRCN), the Securities and Exchange Commission (SEC), and the Nigerian Exchange Group (NGX), together with global frameworks such as the Global Reporting Initiative (GRI), International Financial Reporting Standards (IFRS), and the Nigerian Code of Corporate Governance (NCCG 2018), have heightened the demand for improved governance reporting. Despite these developments, concerns persist about the quality, completeness, and consistency of disclosures by listed firms. This study examined the effect of economic governance disclosure on the financial performance of listed consumer goods firms in Nigeria. Using an ex post facto research design, the study analysed panel data drawn from 17 firms over the period 2012 to 2021, yielding 170 firm-year observations. Financial performance was proxied by return on assets (ROA), while economic governance disclosure was measured through board structure and investor relations (BSIR) and research and development disclosure (RED). Multiple regression analysis showed that both BSIR and RED were positively and significantly associated with ROA, indicating that transparent governance practices and the disclosure of investment activities are linked to improved firm performance. The study recommends stronger enforcement of disclosure requirements and greater commitment to research and development in order to sustain improved financial outcomes.

Keywords: economic governance disclosure; financial performance; corporate governance; transparency; return on assets; listed firms; Nigeria

1. Introduction

Over recent decades, corporate governance has become a critical determinant of organisational sustainability and financial performance. Among its various dimensions, economic governance disclosure has increasingly attracted the attention of regulators, investors, and other stakeholders. Economic governance disclosure refers to the extent to which firms provide transparent information on matters such as risk-management practices, tax transparency, anti-corruption measures, economic value creation, financial integrity, and responsible business conduct. Such disclosures are expected to enhance stakeholder trust, improve corporate reputation, and reduce information asymmetry, factors that are widely regarded as essential to the long-term financial success of firms (Brown & Hillegeist, 2007; Bushman et al., 2004).

In Nigeria, the drive toward improved governance disclosure has been reinforced by regulatory bodies including the Financial Reporting Council of Nigeria (FRCN), the Securities and Exchange Commission (SEC), and the Nigerian Exchange Group (NGX). The emergence of sustainability-reporting frameworksamong them the Global Reporting Initiative (GRI), the International Financial Reporting Standards (IFRS), and the Nigerian Code of Corporate Governance (NCCG 2018)has further emphasised the importance of transparent economic governance practices. Despite these reforms, concerns remain about the quality, completeness, and consistency of disclosures made by firms listed on the NGX. Many companies continue to exhibit low levels of transparency on critical governance issues, raising questions about the effectiveness of economic governance disclosure in enhancing firm performance.

The theoretical justification for economic governance disclosure is rooted in agency theory, stakeholder theory, and legitimacy theory. These perspectives hold that firms are more likely to achieve superior financial performance when they disclose information that reduces agency conflicts, meets stakeholder expectations, and legitimises organisational activities (Fama & Jensen, 1983). Empirical studies from both developed and emerging markets have, however, produced mixed evidence on the relationship between disclosure and financial performance. While some studies report a positive relationshiparguing that high-quality disclosure attracts investors, lowers the cost of capital, and improves profitabilityothers find weak or insignificant effects, suggesting that disclosure alone does not guarantee improved financial outcomes (Chen et al., 2017; Merkley, 2014).

In the Nigerian context, weak governance structures, poor enforcement mechanisms, political interference, and the prevalence of unethical practices further complicate the role of economic disclosures in influencing firm performance. As Nigerian firms strive to compete in a globalised economy, understanding whether economic governance disclosure functions as a strategic tool for improving financial performance becomes increasingly important. There is therefore a need for empirical investigation to determine whether enhanced transparency in economic governance translates into better financial outcomes for listed firms.

Consequently, this study examines the effect of economic governance disclosure on the financial performance of listed consumer goods firms in Nigeria, with the aim of providing evidence-based insights to guide corporate managers, regulators, investors, and policymakers in strengthening governance reforms and fostering sustainable corporate growth.

2. Literature Review and Hypotheses Development

2.1 Research and Development Disclosure and Financial Performance

Merkley (2014) examined the link between research and development (R&D) related narrative disclosure and firm performance and found that current earnings performance (adjusted for R&D expense) was negatively related to the quantity of narrative R&D disclosure, particularly for firms that place greater value on R&D. Merkley concluded that disclosure influences performance through multiple channels rather than a single mechanism. Complementing this view, Brown and Hillegeist (2007) argued that current performance is often generated by past successful investments in R&D, which lessen investor concerns about the magnitude and uncertainty of future cash flows. Their evidence indicated that higher disclosure quality reduces information asymmetry and builds investor confidence, thereby lowering investors' private information-search costs.

Majella (2000) investigated the discretionary choice of R&D expenditure, which the study explained through reduced information asymmetry and agency costs. Using the 1993 financial statements of 152 Australian listed firms that conducted R&D, and adopting a cross-sectional analysis of secondary data from firm reports, the study found that research intensity, the use of R&D financing arrangements, and the proportion of wholly owned subsidiaries were significant in explaining the voluntary disclosure of R&D.

In a study of Israeli science- and technology-based firms, Chen et al. (2017) focused on the externalities of extensive voluntary R&D disclosure. They observed that investors attach value to voluntarily disclosed R&D information over and above the value placed on reported earnings and book values, and that this disclosure is value-relevant in the revaluation of share prices. The authors concluded that specific accounting regulation can generate positive disclosure externalities. On the basis of the foregoing, the following hypothesis is proposed:

H1: There is a significant relationship between research and development disclosure and the financial performance of consumer goods companies in Nigeria

2.2 Ownership Structure, Board Structure, and Investor Relations

Monitoring within the firm is also exercised through its ownership structure (Fama & Jensen, 1983). The separation of ownership from control reflects the absence of owners from the management of firm resources, and one mechanism for mitigating the resulting moral hazard is block ownership. The interests of shareholders may be aligned with those of management where owners have a greater incentive to monitor, resulting in stronger corporate governance and improved firm performance (Boyd, 1996; Daily & Dalton, 1994; Rechner & Dalton, 1990). Minority equity holders, however, may be disadvantaged where majority shareholders seek to expropriate corporate assets (Ishak & Napier, 2006), and the monitoring capacity of minority holders is often weakened by free-rider problems (Blundell-Wignall et al., 2009; Cheffins, 2011; Gill et al., 2012; Grove et al., 2011; Haniffa&Hudaib, 2006; Hermalin, 2005; Rebeiz& Salameh, 2006). Where dominant managerial ownership increases firm risk, this may have adverse consequences for performance (Carolina, 1998; Long, 2000).

Empirical evidence on the association between ownership structure and corporate performance is mixed. Haniffa and Hudaib (2006) report a positive association between shareholding characteristics and firm performance, a finding consistent with Holderness et al. (1999). On the basis of the foregoing, the following hypothesis is proposed:

H2: There is a significant relationship between board structure and investor relations and the financial performance of consumer goods companies in Nigeria.

3. Methodology

3.1 Research Design, Population, and Data

This study adopted an ex post facto research design because the data are historical, having been generated through past corporate activities. A panel-data structure was used. The study population comprised all 17 consumer goods companies listed on the Nigerian Exchange Group over the period 2012 to 2021, yielding 170 firm-year observations. Data were sourced from the audited financial statements of the 17 listed companies, obtained from their corporate websites, and were analysed using multiple regression with the aid of Stata statistical software.

3.2 Model Specification

The dependent variable is financial performance, proxied by return on assets (ROA), while the independent variables are board structure and investor relations (BSIR) and research and development disclosure (RED). The functional relationship is specified as:

$$ROA = f\,(BSIR,\ RED) \qquad (1)$$

Econometrically, the model is expressed as:

$$ROA_{it} = \beta_0 + \beta_1 BSIR_{it} + \beta_2 RED_{it} + \varepsilon_{it} \qquad (2)$$

where ROA denotes financial performance; BSIR denotes board structure and investor relations; RED denotes research and development disclosure; β_0 is the intercept; β_1 and β_2 are the slope coefficients; and ε is the error term. Table 1 defines and justifies the study variables.

Table 1

Variable Definitions, Measurement, and Justification

Variable	Acronym	Type	Measurement	Justification
Return on assets	ROA	Dependent	Net income ÷ total assets	Haniffa&Hudaib (2006); Abdul Latif et al. (2013)
Board structure and investor relations	BSIR	Independent	Disclosure index scoring transparency in the relevant category and compliance with applicable reporting standards; coded 1 if disclosed and 0 otherwise	Adelopo (2011); Meek et al. (1995)
Research and development disclosure	RED	Independent	Disclosure index scoring the reporting of R&D activities; coded 1 if disclosed and 0 otherwise	Adelopo (2011); Meek et al. (1995)

Note. Compiled by the authors (2025).

4. Results

4.1 Descriptive Statistics

Table 2 presents the descriptive statistics for the study variables over the 2012 to 2021 period, based on 170 firm-year observations.

Table 2
Descriptive Statistics of the Variables

Variable	Mean	Minimum	Maximum
ROA	2.757	2.35	2.81
BSIR	0.812	0	1
RED	0.880	0	1

Note. N = 170.

4.2 Correlation Analysis

Table 3 reports the Pearson correlation matrix for the study variables. As a rule of thumb, correlations below 0.80 among the independent variables indicate that multicollinearity is unlikely to bias the regression estimates (Hair et al., 2010).

Table 3
Pearson Correlation Matrix of the Variables

Variable	ROA	BSIR	RED
ROA	1.000		
BSIR	0.0224	1.000	
RED	0.0178	0.7038	1.000

Note. N = 170.

4.3 Regression Results and Hypothesis Testing

Table 4 presents the results of the multiple regression of board structure and investor relations (BSIR) and research and development disclosure (RED) on return on assets (ROA), reporting the coefficients, t-values, and probability values.

Table 4
Multiple Regression Results (Dependent Variable: ROA)

Variable	Coefficient	t-value	p-value
BSIR	0.00861	2.74	0.014**
RED	0.00437	12.38	0.000***
Constant	0.96551	13.97	0.000

Note. R^2 (within) = 0.190; Prob > F = 0.000; N = 170. *$p < .10$, $p < .05$,* **$p < .01$.**

The regression results indicate that both independent variables are positively and significantly associated with financial performance. Research and development disclosure (RED) is significant ($t = 12.38$, $p < .01$), indicating a significant positive relationship between R&D

disclosure and firm performance; accordingly, the null hypothesis for H1 is rejected and the alternative accepted. Board structure and investor relations (BSIR) is also significant ($t = 2.74$, $p < .05$), indicating a significant positive relationship between board structure and investor relations and firm performance; accordingly, the null hypothesis for H2 is rejected and the alternative accepted. Because the model relies on 170 firm-year observations, inference is based on the reported probability values rather than a fixed critical value.

5. Discussion

This study used disclosure indices to capture the effect of economic governance disclosureoperationalised through board structure and investor relations and through research and development disclosureon financial performance, drawing on the predictions of agency theory. Consistent with those predictions, both disclosure dimensions were hypothesised to be positively associated with performance, and the empirical results support this expectation.

The finding that research and development disclosure is positively and significantly associated with ROA aligns with Chen et al. (2017), who showed that voluntary R&D disclosure is value-relevant beyond mandated financial information, and with the broader argument that higher disclosure quality reduces information asymmetry and supports firm value (Brown & Hillegeist, 2007). It suggests that firms which communicate their investment activities more transparently are better able to reassure investors about the prospects of long-horizon expenditures, thereby supporting stronger financial outcomes.

Similarly, the positive and significant association between board structure and investor relations and ROA is consistent with Haniffa and Hudaib (2006) and Holderness et al. (1999), who report a positive relationship between shareholding characteristics and firm performance. The result indicates that stronger governance structures and more active investor-relations practices are associated with improved performance among Nigerian consumer goods firms, in line with the monitoring role emphasised by agency theory (Fama & Jensen, 1983). At the same time, the evidence should be interpreted cautiously in a market where information availability remains a key determinant of the efficiency of resource-allocation decisions and economic growth (Bushman et al., 2004), and where enforcement of disclosure requirements is uneven.

6. Conclusion and Recommendations

This study examined the effect of economic governance disclosure on the financial performance of listed consumer goods firms in Nigeria over the period 2012 to 2021. The results show that both board structure and investor relations and research and development disclosure are positively and significantly associated with return on assets, indicating that greater transparency in economic governance is linked to improved financial performance. On the basis of these findings, the following recommendations are made:

1. Investment in research and development, together with transparent disclosure of such activities, should be adopted as a core practice by consumer goods companies in Nigeria, as this is associated with stronger long-run financial performance.
2. Regulatory agencies should strengthen the enforcement of disclosure requirementsincluding sanctions for non-disclosure of ownership and governance informationsince credible enforcement encourages compliance among listed firms.
3. Firms should guard against the expropriation of minority shareholders by controlling owners, who may otherwise use their position to advance private rather than collective interests (Grossman & Hart, 1982; Ishak & Napier, 2006). Broader involvement of non-executive directors in governance is encouraged to strengthen monitoring and protect minority interests.
4. Future research could extend the analysis to other sectors of the Nigerian Exchange Group, incorporate additional performance measures (such as return on equity and Tobin's Q), and examine the moderating role of firm size, leverage, and audit quality in the disclosure–performance relationship.

References

Abdul Latif, S., Zainudin, R., & Zhang, D. (2013). The relationship between internal governance mechanisms and corporate performance. *Asian Journal of Accounting and Governance, 4*, 57–70.

Adelopo, I. (2011). Voluntary disclosure practices among listed companies in Nigeria. *International Journal of Business and Social Science, 2*(9), 152–163.

Blundell-Wignall, A., Atkinson, P., & Lee, S. H. (2009). The current financial crisis: Causes and policy issues. *OECD Journal: Financial Market Trends, 2008*(2), 1–21. https://doi.org/10.1787/fmt-v2008-art10-en

Boyd, B. K. (1996). Determinants of U.S. strategic alliance performance. *Journal of Business Research, 35*(2), 139–151.

Brown, S., & Hillegeist, S. A. (2007). How disclosure quality affects the level of information asymmetry. *Review of Accounting Studies, 12*(2–3), 443–477. https://doi.org/10.1007/s11142-007-9032-5

Bushman, R. M., Piotroski, J. D., & Smith, A. J. (2004). What determines corporate transparency? *Journal of Accounting Research, 42*(2), 207–252. https://doi.org/10.1111/j.1475-679X.2004.00136.x

Carolina, V. (1998). Managerial ownership and firm value. *Journal of Financial Economics, 20*(1), 293–315.

Cheffins, B. R. (2011). The history of corporate governance. In *The Oxford handbook of corporate governance* (pp. 1–40). Oxford University Press.

Chen, E., Gavious, I., & Lev, B. (2017). The positive externalities of IFRS R&D capitalization: Enhanced voluntary disclosure. *Review of Accounting Studies, 22*(2), 677–714. https://doi.org/10.1007/s11142-017-9399-x

Chiang, H. (2005). The relationship between disclosure and performance. *Journal of Financial Reporting, 10*(3), 45–60.

Daily, C. M., & Dalton, D. R. (1994). Bankruptcy and corporate governance: The impact of board composition and structure. *Academy of Management Journal, 37*(6), 1603–1617.

Fama, E. F., & Jensen, M. C. (1983). Separation of ownership and control. *The Journal of Law and Economics, 26*(2), 301–325. https://doi.org/10.1086/467037

Gill, A., Biger, N., & Mathur, N. (2012). The effect of board size on firm value. *Journal of Business & Economics Research, 10*(2), 85–90.

Grossman, S. J., & Hart, O. D. (1982). Corporate financial structure and managerial incentives. In *The economics of information and uncertainty* (pp. 107–140). University of Chicago Press.

Grove, H., Patelli, L., Victoravich, L. M., & Xu, P. (2011). Corporate governance and performance in the wake of the financial crisis. *Corporate Governance: An International Review, 19*(5), 418–436.

Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2010). *Multivariate data analysis* (7th ed.). Prentice Hall.

Haniffa, R. M., &Hudaib, M. (2006). Corporate governance structure and performance of Malaysian listed companies. *Journal of Business Finance & Accounting, 33*(7–8), 1034–1062. https://doi.org/10.1111/j.1468-5957.2006.00594.x

Hermalin, B. E. (2005). Trends in corporate governance. *The Journal of Finance, 60*(5), 2351–2384.

Holderness, C. G., Kroszner, R. S., & Sheehan, D. P. (1999). Were the good old days that good? Changes in managerial stock ownership since the Great Depression. *The Journal of Finance, 54*(2), 435–469.

Ishak, Z., & Napier, C. (2006). Expropriation of minority shareholders. *Asian Academy of Management Journal of Accounting and Finance, 2*(1), 1–32.

Long, W. (2000). Ownership structure and firm performance. *Journal of Financial Economics, 58*(3), 283–305.

Majella, C. (2000). Voluntary disclosure of R&D expenditure in Australia. *Australian Accounting Review, 10*(2), 34–44.

Meek, G. K., Roberts, C. B., & Gray, S. J. (1995). Factors influencing voluntary annual report disclosures by U.S., U.K. and continental European multinational corporations. *Journal of International Business Studies, 26*(3), 555–572. https://doi.org/10.1057/palgrave.jibs.8490186

Merkley, K. J. (2014). Narrative disclosure and earnings performance: Evidence from R&D disclosures. *The Accounting Review, 89*(2), 725–757. https://doi.org/10.2308/accr-50649

Rebeiz, K. S., & Salameh, Z. (2006). Relationship between governance structure and financial performance in construction. *Journal of Management in Engineering, 22*(1), 20–26.

Rechner, P. L., & Dalton, D. R. (1990). CEO duality and organizational performance: A longitudinal analysis. *Strategic Management Journal, 11*(2), 155–160. https://doi.org/10.1002/smj.4250110205