European Journal of Accounting, Auditing and Finance Research
Vol.11, No. 7, pp.47-76, 2023
Print ISSN: 2053-4086(Print),
Online ISSN: 2053-4094(Online)
Website: https://www.eajournals.org/
Publication of the European Centre for Research Training and Development-UK

Board Committees' Independence and Financial Performance of Listed Non-Finance Firms in Nigeria

Emmanuel S. Udoh
Department of Accountancy, Akwa Ibom State College of Science & Technology, Nung Ukim, Ikono

Dr. Iniabasi Job Ikpe
Department of Accountancy, Akwa Ibom State College of Science & Technology, Nung Ukim, Ikono

Dr. Emmanuel O. Emenyi
Department of Accounting, Akwa Ibom State University

doi: https://doi.org/10.37745/ejaafr.2013/vol11n74776 Published July 2 2023

Citation: Udoh E.S., Ikpe I.J., and Emenyi E.O. (2023) Board Committees' Independence and Financial Performance of Listed Non-Finance Firms in Nigeria, *European Journal of Accounting, Auditing and Finance Research,* Vol.11, No. 7, pp.47-76

ABSTRACT: *This study examined the relationship between board committees' independence and financial performance of listed non-finance firms in Nigeria. The specific objectives were to determine the relationship between audit committee's independence and financial performance of listed non-finance firms in Nigeria; evaluate the relationship between risk management committee's independence and financial performance of listed non-finance firms in Nigeria; ascertain the relationship between remuneration committee's independence and financial performance of listed non-finance firms in Nigeria. Ex-post facto research design was adopted and the population of the study consists of all the listed non-finance firms. As of December, 2021, we had 108 non-finance firms listed on the floor of the Nigerian Exchange Group. The final sample size consists of 10 non-finance firms that were arrived at based on the availability of data for ten years for all the research variables. Findings revealed that audit committee independence significantly influence the performance of non-finance companies in Nigeria; Risk committee independence significantly influence the performance of non-finance companies in Nigeria and remuneration committee independence negatively influence the performance of non-finance companies in Nigeria. Specifically, the study concluded that only the variable of remuneration committee independence has negative but insignificant effect on firm financial performance. Furthermore, the study concluded that and increase in audit committee independence and risk management committee independence significantly increase the financial performance of listed non-finance firms in Nigeria. Based on the findings of this study, the researcher recommended that corporate boards of non-finance firms should maintain a sizeable audit committee that are dominated by non-executive directors and shareholders so as to maintain their independence as this significantly influence the firm financial performance.*

KEY WORDS: board committees, independence, financial performance and non-finance firms

European Journal of Accounting, Auditing and Finance Research
Vol.11, No. 7, pp.47-76, 2023
Print ISSN: 2053-4086(Print),
Online ISSN: 2053-4094(Online)
Website: https://www.eajournals.org/
Publication of the European Centre for Research Training and Development-UK

INTRODUCTION

Worldwide corporate governance is perhaps synonymous with corporate boards who have statutory duties to represent and protect shareholders interest basically by formulating corporate strategy and instituting control mechanisms through the mix of skills and talents available to the board, (Ahmad & Adhariani, 2017). Yet, board functional effectiveness, to a large extent, is connected to the inner workings of the board by various standing board committees which support and complement board's decision-making and supervisory functions. Indeed, the time available at board meetings make it difficult or almost impossible to ensure that the board considers all matter for which it is responsible. Appropriately, it is more efficient for matters to be considered first by a specialized standing committee of the board rather than the full board which may not be meeting frequently or may not be effective in handling certain technical issues efficiently, (Abu et al, 2021). It has been suggested that in order for the board to effectively exercise its strategic and oversight responsibilities, it is necessary to have critically composed board committees to support board's ability in executing these fundamental responsibilities.

Studies have shown that corporate boards are one of the main monitoring mechanisms used in solving the agency problem (Atik, 2009). Theoretically, corporate boards are elected by shareholders at annual general meeting and aside providing strategic direction to the company, they are expected to control executive management. Accomplishing the above functions creditably implies that boards must be seen to be independent and board mechanisms should lead to minimization of the agency cost associated with the agency problem. Both the alignment and the agency theories suggests that corporate boards must implement various mechanisms in order to align the interest of opportunistic agents (executives) to shareholders (principals) interest. To effectively monitor executive management and perform other tasks involving serious agency problems, such as setting executive remuneration, engaging external auditors, and hiring and firing Chief Executive Officers (CEOs), boards are often subdivided into smaller committees. Conceptually, these standing committees assist the board to perform its oversight responsibilities. The agency theory suggests that due to the controlling nature of these committees, they must be independent and as such be composed of majority independent outside directors who do not have any contractual relationship like inside directors, (Akindele 2012).

Board effectiveness also depend on the operational qualities of the board committees. The best practices of corporate governance suggest that the board of directors should establish board committees within a firm. These should include an audit committee, nomination committee and risk management committee. Financial performance is a subjective measure of how well a company can harness assets from its primary business mode and generate revenue. Often, the term is used as a general indicator of the overall financial performance of a company over a given timeframe, (Chairunesia & Bibtara, 2019). Analysts and investors use financial performance to compare similar companies across the same industry, or to aggregate industries

or sectors. Financial achievement calls for concrete consequences in the strategies and practices of a company. Those results are reflected in the company's return on investment, asset benefit, value added, a comparative measure of how easily a company can maximize and deliver revenue from its primary business type inventory. This term is also used as a general measure of a company's average financial output over a given period of time and can be used to align similar firms within the same industry or to compare aggregated industries or sectors.

Despite the agency prescriptions on the resourcefulness of board committees, there are few evidence that suggest that independence of board committees are linked to firm performance. For instance, Edogbanya & Kamardin (2015) found out that though there is modest direct evidence that suggest that composition of board committees are more important than the composition of the board in terms of financial performance, however when it comes to the inner workings of the board there are few significant evidence that suggest that board committees' independence are linked to firm performance. Therefore, this study examines the relationship between board committees' independence and performance of listed non-finance firms in Nigeria.

Statement of the problem

The past few years have seen several well-known companies with significant international operation collapsing. In some of these cases, investors have substantial amount of money. A number of these companies involved have been forced into bankruptcy (Kalandu, Salim & Chandren, 2016). Collectively, these situations have caused many to be concerned about investors confidence in the integrity of companies. As a means of reducing the weakness in corporate governance, several mechanisms have been introduced among which is the adoption of board committees. However, there arise the question of how independent are these committees so as to impact on the financial performance of firms. Several studies have been conducted on board committees' independence and financial performance of firms from continents in the world. The outcomes of these studies have documented varying and conflicting results, thereby pointing to the inconclusiveness of the subject matter. Also, most studies were done in Asia especially in Malaysia and India, while in Africa, the few studies were in Ghana and Nigeria, but were concentrating on the insurance and banking sectors with few concentration on non-finance firms. Moreover, board committee literatures, in many instances, have examined the effect of single board committee's independence rather than the entire standing committees of the board thus making it difficult to link board standing committees' independence to financial performance.

The study, therefore, seek to address these research problems by first ensuring the inclusion of possible variables from the audit committee independence, risk management committee independence and remuneration committee independence are included in the study as proxies for board committees' independence attributes. Also, the study ensured that a larger scale observation of firms over 10 years is used unlike most previous studies that used shorter periods.

European Journal of Accounting, Auditing and Finance Research
Vol.11, No. 7, pp.47-76, 2023
Print ISSN: 2053-4086(Print),
Online ISSN: 2053-4094(Online)
Website: https://www.eajournals.org/
Publication of the European Centre for Research Training and Development-UK

Objectives of the study

The main objective of this study is do determine the relationship between board committees' independence and financial performance of listed non-finance firms in Nigeria. Specifically, the study seeks to:

1. Determine the relationship between audit committee's independence and financial performance of listed non-finance firms in Nigeria.
2. Evaluate the relationship between risk management committee's independence and financial performance of listed non-finance firms in Nigeria.
3. Ascertain the relationship between remuneration committee's independence and financial performance of listed non-finance firms in Nigeria.

Research questions

1. What is the relationship between audit committee's independence and financial performance of listed non-finance firms in Nigeria?
2. What is the relationship between risk management committee's independence and financial performance of listed non-finance firms in Nigeria?
3. What is the relationship between remuneration committee's independence and financial performance of non-finance listed firms in Nigeria?

Research hypotheses

The null form of the hypotheses of the study are stated below:

Ho_1: There is no significant relationship between audit committee's independence and financial performance of listed non-finance firms in Nigeria.

Ho_2: There is no significant relationship between risk management committee's independence and financial performance of listed non-finance firms in Nigeria.

Ho_3: There is no significant relationship between remuneration committee's independence and financial performance of listed non-finance firms in Nigeria.

Significance of the study

This study will benefit shareholders since it is poised to help them establish governance mechanism attributes that will help them realize their return on investments, simply put, help them to realize their investment choices.

The outcome of the study should serve as a signal for corporate boards in monitoring their firm financial position as this might provide an early warning signal for corporate distress.
The study will be useful to researchers in the field of accounting / related fields who are interested in carrying out similar studies since the study tends to add to the existing literature on financial performance of firms in Nigeria.

Conceptual Review

Corporate governance

It is difficult to define the concept of corporate governance in a universally acceptable way because definitions vary from country to country. Moreover, countries differ from each other

in terms of culture, legal systems and historical developments (Ramon, 2001). According to the National Association of Corporate Directors (2006), corporate governance denotes how an establishment or organization is governed. Systems of good governance may, therefore, be considered as apparatuses for instituting the foundation of control and ownership of institutions within the economy. Company law and other forms of regulations enforce adherence to the existing systems of corporate governance. The known Organization for Economic Cooperation and Development (OECD) (1999) also defined corporate governance as "a system on the basis of which companies are directed and managed". In another perspective, Arun and Turner (2002) contend that there exists a narrow approach to corporate governance, which views the subject as the mechanism through which shareholders are assured that managers will act in their interest.

Corporate governance mechanisms

Effective corporate governance is essential if a firm wants to set and meet its strategic goals (Subramaniam, et al 2009). A corporate governance structure combines controls, policies and guideline that drive the organization towards its objectives while also satisfying stakeholders' needs. A corporate governance structure is often a combination of various mechanisms are as postulated by Arus & Turner (2002) namely:

i. **Internal mechanism:** The foremost sets of controls for a firm come from internal mechanisms. These controls monitor the progress and activities of the firm and take corrective actions when the business goes off track. Maintaining the firm's larger internal control fabric, they serve the internal objectives of the firm and its internal stakeholders, including employees, managers and owners. These objectives include smooth operations, clearly defined reporting lines and performance measurement systems. Internal mechanisms include oversight of management, independent internal auditors, structure of the board of directors into levels of responsibility, segregation of control and policy development.

ii. **External mechanism:** External control mechanisms are controlled by those outside an organization and serve the objectives of entities such as regulators, governments, trade unions and financial institutions. These objectives include adequate debt management and legal compliance. External compliance are often imposed on firms by external stakeholders in the form of union contracts or regulatory guidelines. External organizations, such as industry associations, may suggest guidelines for best practices, and businesses can choose to] follow these guidelines or ignore them. Typically, companies report the status and compliance of external corporate governance mechanisms to external shareholders.

iii. **Independent audit:** An independent external audit of a firm's financial statements is part of the overall corporate governance structure. An audit of the firm's financial statements serves internal and external stakeholders at the same time. An audited financial statement and the accompanying auditor's report helps investors, employees, shareholders and regulators determine the financial performance of the firm. This exercise gives a broad, but limited, view of the firm's internal working mechanisms and future outlook.

Board committees

The oversight function of corporate governance is performed by the company's board of directors and its designated committees. Board of directors perform their advisory and oversight function through well-structured, planned, and assigned committees to take advantage of the expertise of all the directors (Laux & Laux, 2009). Board committee formations and assignments depend on the size of the company, its board, and assumed responsibilities. Committee members address relevant issues and make recommendations to the entire board for final approval (Abu et al, 2021). Board committees normally function independently from each other and are provided with sufficient authority, resources, and assigned responsibilities in assisting the entire board.

At the core of corporate governance practices is the board of directors which oversees how the management serves and protects the long-term interests of all the stakeholders of the company. The institution of board of directors is based on the premise that a group of trustworthy and respectable people should look after the interests of the large number of shareholders who are not directly involved in the management of the company. The position of board of directors is that of trust as the board is entrusted with the responsibility to act in the best interests of the company (Chairunesia & Bintara, 2019).

Committees appointed by the board focus on specific areas and take informed decisions within the framework of delegated authority, and make specific recommendation to the board on matters in their areas or purview Weisbach (1988) asserts that all decisions and recommendations of the committees are placed before the board for information or for approval.

To enable better and more focused attention on the affairs of the firm, the board delegates particular matters to the committees of the board set up for the purpose. Committee review items in great detail before it is placed before the board for its consideration (Laux & Laux, 2009). The committees prepare the groundwork for decision making and report at the subsequent meeting. Board effectiveness will depend on the operational qualifies of these committees. The committees include but not limited to an audit committee, risk management committee and remuneration committee. Board effectiveness.

It is no secret that proper governance is the cornerstone of great boards. It can be attributed directly to the organization's success as well as the inherent lowering of risks at all levels within the organization (Yameen et al., 2019). Additionally, the direct and effective linkage of governance to the goals and strategy of the organization can elevate this collective success even further. Effectiveness of a board has a direct correlation to the understanding and application of strategy and governance. With business complexity continuously increasing and ever-changing economic and political climate accelerating, these challenges place elevated demands on organizations that must be quickly and systematically addressed to stay relevant. Effective governance, alongside linked strategy should be a lived framework and process that

European Journal of Accounting, Auditing and Finance Research
Vol.11, No. 7, pp.47-76, 2023
Print ISSN: 2053-4086(Print),
Online ISSN: 2053-4094(Online)
Website: https://www.eajournals.org/
Publication of the European Centre for Research Training and Development-UK

aligns leadership to take effective action with accountability in the areas of policies, systems and structures (Weir & Laing, 2001).

One of the easiest ways to kick-off great governance within a board is to implement a systematic approach for transparency through structured and consistent committee reporting. Board committees, rightfully known as the "workhorses of the board", can easily act as the foundational government starting point in this process.

The success of any governance model is always dependent on the proper linkage of the organization's goals, strategy and governance, and board committees need to follow the prerequisite, as well. Board committees align their efforts to their specific sub-goals and associated strategies, but should never lose sight of the overall goals and strategies that these roll up to. This alignment is paramount to ensure that committees are focused in areas that bring value to the agreed goals of the board and organization, hence the benefit of committee reporting not only in providing insight on the committee's focus and accomplishments, but also allowing individual board members and other committees to evaluate the relevance (Weir and Liang, 2001).

Audit committee

According to Laux and Laux (2009), the audit committee has the major responsibilities of appointing, retaining and even dismissing external auditors if they perform poorly. It oversees the internal audit function, ensures the quality of financial disclosure, assesses auditor independence, and determines the quality and transparency of the firm's financial reporting. Walker (2004) states that the size of the audit committee, audit committee independence and the frequency with which it meets may impact its monitoring effectiveness.

Cadbury committee (1992) recommended establishing oversight committees including an audit committee for the auditing of financial statements and appointment of directors which are supported by agency theory. It considered board committees as an additional control mechanism that increased accountability; thereby enhancing the assurance that the interests of the shareholders were being safeguarded. Cadbury committee report (1992) stated that the audit committee should be staffed by non-executive directors, because of their independent view on important decisions. Outside directors are believed to ensure decisions made by the executive directors are in the best interest of the principals (shareholders) (Cotter, Shivdasani, & Zenner, 1997; Weisbach, 1988; Weir and Laing, 2001). And a good audit committee practicing good accounting can ensure effectiveness in an organization (Joseph, Dana, & Zhongxia, 2011). Good audit committee is defined in terms of financial expertise of committee members and their independence while good accounting is defined as less earnings management or the absence of fraudulent financial reporting and restatements.

By audit committee size, in the context of this study, it is described as the number of persons that make up the committee. Regulatory bodies such as the Companies and Allied Matters Act (2004 as amended) and the Security and Exchange Commission code of corporate governance of 2011 have specified the number of persons that should be on the audit committee board.

Specifically, the Act stipulates that audit committees must be six (6) in number and should be made up of equal numbers of directors and shareholders representatives S359 (4). For a committee to function properly, it is expected to have adequate workforce hence, the size criteria. The exact sum of members of the audit committee is particularly important as it affects the commitment of memberships to monitor management and detect deceitful behaviors. A bigger size of the audit committee can alleviate material differences throughout the tested equity submissions (Abu, et al, 2021).

Best practice states that audit committee meetings or diligence should be held at least once a year without the presence of executive board members. However, the total number of meetings depends on the company's terms of reference and the complexity of the company's operation. On the other hand, Nigerian Code on Corporate Governance (2020) suggests that at least three or four meetings should be planned to correspond to the audit cycle and the timing of published annual reports in addition to other meetings in response to circumstances that arise during the accounting year (Mohammed, et al, 2019)

Risk committee

Risk committee is described as the board of commissioners who assist in the execution of supervisory duties on corporate risk control (Halim, Mustika, Sari, Anugerah & Mohd-Sanusi 2017). In Nigerian Corporate Governance Code NCGC (2020) any company's board may create a Risk Management Committee to assist the board of directors (BOD) in its oversight responsibility for the risk function or profile, the risk management system and the risk scheme to be set up. As required by the Corporate Governance Code, this is one of the BOD Committees. Getting one is necessary but not mandatory for the company. Scholars postulate that corporate efficiency may be increased if there is a strong committee of management in place. Business success is largely based upon the process of risk control (Akindele, 2012; Edogbanya & Kamardin, 2015).

The presence of a risk management committee may be tied to a board's size. The presence of board size provides more opportunities for managers with the necessary skills to coordinate and be in charge of a sub-committee on risk management (Abubakar, et al, 2018). The size of the Risk Committee is used as a measure of the willingness of a corporation to expend board money to improve the prestige of clients and the strength of the committee. Bédard, Chtourou and Courteau (2004) note that not only does a broad committee have power but the resulting plurality of opinions within a committee makes it more successful in solving possible problems (Ng, Chong & Ismail, 2013). This is also proposed as an improvement of Enterprise Risk Management (ERM) roles by a growing number of members within a risk committee. RMC is described as the board of commissioners who assist in the execution of supervisory duties on corporate risk control (Halim, et al, 2017).

For the monitoring capacity of a board, board independence from management is important. The involvement of a significant number of non-executive board members is regarded as a strong measure of the board's freedom from management (Abubakar et al, 2018). According to (Abubakar, et al, 2018), RMC independence includes the number of leaders sitting on the RMC

who are independent non-executive directors. Subramaniam, Mcmanus, & Zhang (2009) indicated that boards with a larger number of non-executive directors are able to better analyze risks and consider setting up a risk management committee as a vital tool to assist them in fulfilling their risk management oversight function as opposed to those with a small number of non-executive directors. In the risk committee, Protiviti (2011) stresses that having independent / non-executive directors is a prerequisite for establishing constructive coordination with the administrators and officers in charge of ERM operations of an organization. Ng, Chong & Ismail, 2013 also believes that a timely objective evaluation of main risk areas could mitigate the vulnerability to major risks. In addition, the Walker study (2009) stresses the flexibility of the ERM function by making an independent CRO working under the oversight of the risk exposure and risk appetite control committee (Walker, 2009). This analysis recognizes the flexibility of the risk committee and the non-executive directors independently, as indicated by Nicholson and Kiel (2007) in that the two concepts should not be deemed equivalent.

Remuneration Committee

The Remuneration Committee (RC) is one of the sub-groups of the board whose duties are to scrutinize the decisions of the board which concern: rewards, salary, bonus, share options, superannuation payments, commission, company cars, private health insurance and participation in profit-sharing with shareholders, as well as advantageous pension contributions for corporate executives. These benefits are also known as 'Fat Cat Payments' (Conyon, Gregg, & Machin, 1995; Finkelstein & Hambrick, 1989; Gregg, Machin, & Szymanski, 1993). The salary and other fringe benefits are determined by the RC and are based on the qualifications, experience and past success of the directors, and also the size of the firm (Huse, 2007); Conyon and Peck, 1998). The directors and Chief Executive Officer (CEO) expect salary increases on an annual basis. For example, a new CEO or director elected will expect a higher increase in salary and other benefits than the current CEO (Huse, 2007).

The RC performs the dual functions of monitoring and advising executives on important decisions concerning remuneration and rewards (Baldenius, Melumad, & Meng, 2014). The RC provides both monitoring and oversight functions, the aim of which is to protect the interests of shareholders by delivering an objective and independent review to executive management. This management support helps to provide reviews and feedback to management and the board on any major business decisions (Mintah and Schadewitz, 2015; Jensen and Meckling, 1976; Fama and Jensen, 1983).

Compensation or remuneration committee is a sub-committee of the board of directors responsible for establishing and monitoring remuneration package and policies of inside (executive) directors and the board as a whole (Anderson and Bizjak, 2003; Conyon and He, 2004). The agency theory has advocated that executive remuneration be tied to shareholder value and be adequate enough to induce maximum performance (Jensen & Meckling, 1976; Jensen & Murphy, 1990). By this, executive remuneration is expected to be consistent with corporate performance and in conformity with shareholders' wealth. It is the responsibility of the remuneration committee to ensure the adoption and implementation of a remuneration

European Journal of Accounting, Auditing and Finance Research
Vol.11, No. 7, pp.47-76, 2023
Print ISSN: 2053-4086(Print),
Online ISSN: 2053-4094(Online)
Website: https://www.eajournals.org/
Publication of the European Centre for Research Training and Development-UK

policy which follows the alignment theory. Sternbarg (1997) suggests that the responsibilities of the remuneration committee have recently increased due to media reports on excessive executive remuneration which in many instances does not seem to align with shareholder's value.

Nomination committee
The agency theory explains that to maintain the independence, accountability, transparency, objectivity, and fairness of the board, it must ensure a proper mix of outside and inside directors. The nomination committee assists the board in discharging its responsibility of recommending and presenting new directors who have been appointed and old directors in the annual general meeting for approval and re-appointment. Again, the theory suggests that in order that the principal's interest is protected at all times, agents must show integrity, utmost faith, competency, duty of care, and loyalty free from conflict of interest and opportunism. This can be achieved when board appointment, recruitment, and selection process are transparent devoid of any executive management manipulations or influences by majority shareholders. The theory expects that the appointment and selection process of executive management be based on qualification, experience, skill, and for supervisory directors, independence and availability of the member be included. Annual review of the composition of the board and succession planning of the CEO and other executive positions should be one of the important responsibilities of the nomination committee. The agency theory opines that the nomination committee be composed of majority independent outside directors with the right skill set and experience in strategic human resource planning in order that the board be provided with the multiplicity of the knowledge required to function well. Huse (2007) has suggested that in selecting directors to the nomination committee, the board must take into consideration how the candidate director cares about his or her reputation, since reputational concerns serve as trustworthy signals which the board can rely on. Directors' reputational concerns are as a result of past experiences which go a long way to influencing present and future actions and behaviours (Simoneti & Grogoric, 2004)

Firm performance
Firm non-financial performance
Non-financial performance measures given information on a company's performance in non-monetary terms. The measures can be qualitative and quantitative. These measures help understand the quality of the product or service than a firm offers (Girangwa, Rono & Mose, 1989). The following help to understand the importance of non-financial measures:

i. These measures support the financial measures or key performance indicators. Most financial measures are legging indicators, which means they reflect what has already happened management uses non-financial measures to get an idea of futures financial performance.
ii. Management needs non-financial measure, because it is easy to link them to the firm's strategy.
iii. Firms use non-financial measures to get quantitative and quantative data on intangible assets.
iv. Financial indicators do not give the full picture of the firm for instance, they do not tell why sales are dropping or why the cash flow is reducing. To get answers to such questions, management turns to non-financial measures.

Firm financial performance

Firm financial performance is generally defined as a measure of the extent to which a firm uses its assets to run the business activities to generate revenues. It examines the overall financial health of a business over a given period and can be used to compare the performance of identical firms in similar industries or between industries in general (Atrill & McLaney, 2009). The main source of data for determining firm financial performance is the financial statement, the product of accounting which consists of the balance sheet which shows the assets, liabilities and equities of a business, the income statement that records the revenues, expenses and profits in a particular period, the cash flow statement which exhibits the sources and uses of cash in the period, and the statement of changes in the owners' equity that represents the changes in owner's wealth. Firm financial performance is commonly reflected in the calculation of financial ratios that show the link between numbers in the financial statement. The financial ratios may include the computation of the profitability, efficiency, liquidity, gearing, and investment of a particular firm.

Moreover, firm financial performance generally may also be reflected in market-based (investor returns) and accounting-based (accounting returns) measures. Examples of market-based indicators to measure firm financial performance are price per share and Tobin's Q which indicate the market value or the share of the firm as well as the financial prospect of the firm in the future. Additionally, what the shareholders have perceived from the returns distributed by the firm is also the driver of the share price. This price affects the market value of the firm. Alternatively, accounting-based measures, including profitability, efficiency, liquidity, gearing, and investment ratios, are calculated using the figures from the financial reports and may represent a firm's financial performance. According to Atrill & McLaney. (2009), the ratios that may be utilized to calculate the firm's profitability are the return on assets (ROA), return on equity (ROE) and return on investments (ROI). These ratios express the success of a firm in generating profits or returns from the resources owned. In contrast, the market-based measure is believed to be more objective because it relies on market responses to decision made by a firm.

Measures of Financial Performance

There are various ways of measuring financial performance of firms. According to Alhassan and Okpe (2021), seven critical ratios that are extensively used in the business world to assist and evaluate a firm's financial performance are:

i. **Return on assets:** Returns on assets helps an organization determines how well its assets are being employed to become more profitable. It measures the profitability of a firm in relation to its total assists. It shows the percentage of how profitable a firm's assets are in generating revenue.
ii. **Gross profit Margin:** It is a ratio that measures the remaining amount of revenue that is left after deducting the cost of sales. The ratio is useful because it indicates as a percentage the portion of each sales amount that can be applied to cover a firm's operating experiences.

European Journal of Accounting, Auditing and Finance Research
Vol.11, No. 7, pp.47-76, 2023
Print ISSN: 2053-4086(Print),
Online ISSN: 2053-4094(Online)
Website: https://www.eajournals.org/
Publication of the European Centre for Research Training and Development-UK

iii. **Working capital:** The working capital measurement is used to determine an organization's liquid net assets available to fund day-to-day operations. It indicated whether a firm owns resources that can quickly be converted to cash if needed.
iv. **Current ratio:** The current ratio is a liquidity ratio that measures a firm's ability to pay short-term obligations or those due within one year. It tells investors and analysts how a firm can maximize the current assets on its statement of financial position to satisfy its current debt and other payables.
v. **Inventory turnover ratio:** It is an efficiency ratio that is used to measure the number of times a firm sells its average inventory in a fiscal year. Firms use it to determine if their inventory is in demand, obsolete, or if they are carrying too much, that is, if it has an excessive inventory in compassion to its sales level.
vi. **Leverage:** It is an equity multiplier that is calculated by a business to illustrate how much debt is actually being used to buy assets. The leverage is one if all assets are financed by equity, but it begins to increase as more and more debt. Is used to purchase assets.
vii. **Return on equity:** It is a profitability ratio that is used to analyze the equity effectiveness, which in turn, earns profit for investors. A higher return on equity suggests that investors are earning at a much more efficient rate, which is more profitable to the business as a whole.

Board committee independence and financial performance

Studies have pointed out the relevance of independent directors in monitoring top-level management. These directors are not under top management control, and they are expected to enrich board decisions. Thus, independent directors have the incentive to scrutinize manager's proposals and monitor the implementation of such proposals effectively (Mohammed et al, 2021).

Starting from the audit committee, its function includes safe-guarding and strengthening firms' internal control mechanisms. It is reported that the audit committee appears to be more effective when it is set up with a substantial number of outside directors due to the monitoring capacity of these directors (Mohamud, 2021). In the same vein, it is argued that a higher proportion of independent directors in the audit committee is associated with lower information asymmetry and agency cost (Ojeka et al, 2014).

Accordingly, Kallamu (2015). Kakanda, et al (2016) argued that audit committee independence mitigates agency conflicts, thereby lowering the chance of poor firms' performance. Continuous collapse of many organization have increased the demand to have a committee aside the board whose focus is on setting and implementing firm risk policy, appetite and limit. With firm goal on maximizing profit, it is pertinent for risk management committee (RMC) to be set up. Risk management committee is described as the board of commissioners who assist in the executive of supervisory duties on corporate risk control (Kakanda et al, 2014). In Nigerian Corporate Governance Code, N.G.G.C, (BOD) in its oversight responsibility for the risk function or profile, the risk management system and the risk scheme to be set up. As required by the corporate Governance Code, this is one of the BOD committee. Scholars postulate that corporate efficiency may be increased if there is a strong committee of management in place. Business success is largely upon the process of risk control (Elamer

European Journal of Accounting, Auditing and Finance Research
Vol.11, No. 7, pp.47-76, 2023
Print ISSN: 2053-4086(Print),
Online ISSN: 2053-4094(Online)
Website: https://www.eajournals.org/
Publication of the European Centre for Research Training and Development-UK

Benyazid, 2018). From the monitoring capacity of the board, board management is important. The involvement of a significant number of non-executive board members is regarded as a strong measure of the board's freedom from management (Abubakar et al., 2018). According to Abubakar et al (2018), RMC independence includes the number of leaders sitting on the RMC who are independent non-executive directors. Subramanian et al (2009) indicated that boards with a large number of non- executive directors are able to better analyze risks and consider setting up a risk management committee as a vital tool to assist them in fulfilling their risk management oversight function as opposed to those with a small number of non executive directors.

In the risk management committee, Protiviti (2011) stresses that having independent/non-executive directors is a prerequisite for establishing constructive coordination. Ng et al (2013) also believe that a timely objective evaluation of main risk areas could mitigate the vulnerability to major risks. The independent risk management committee was calculated as the number of independent/non-executive directors of the risk committee to the overall number of the risk management committee.

The remuneration committee, which is one of the important committees of the board of directors, helps to minimize agency conflict by ensuring that appointed board members work together to achieve shareholders interest. This means that the renumeration committee plays an essential and important role in the success and facture of firms. The corporate financial performance of firms collectively depends on whatever the renumeration committee has appointed to the board and who is part of the executive management team. The remuneration committee ensure that the right candidate with the right profile is selected to heighten the probability of success for the firm (Handicap, 2018). Most importantly, the remuneration committee must be influential enough to introduce its own independent suggestions and not be influenced by the CEO or the executive directors. Finally, the existence of remuneration committee creates value for the company. In addition, the committee tends to have deferent and unique ideas, experiences and power of thinking and this serves as the basis for better outcomes during the decision-making process and polity making process and enhance the corporate financial performance (Shan & Mclver (2011).

Despites the theoretical popularity of board committees in various corporate governance literatures, few previous researches have credited board effectiveness with the composition and independence of board standing committees especially in supporting corporate financial performance and shareholder value maximization (Ebere et al, 2016). For example, they indicated that problems associated with information asymmetry which are likely to affect the quality of board decisions are largely resolved through the workings of independent board committees, with the right combination of skills and experience. Consistently, board committees have been endorsed with providing corporate boards with critical support across multiple technical functional areas of audit, quality financial reporting and executive remuneration as well as succession planning (Jiraporn, Fingh & Lee (2009). Conclusively, Abdullah (2004) posited that the selected process should be done by corporate boards to ensure

European Journal of Accounting, Auditing and Finance Research
Vol.11, No. 7, pp.47-76, 2023
Print ISSN: 2053-4086(Print),
Online ISSN: 2053-4094(Online)
Website: https://www.eajournals.org/
Publication of the European Centre for Research Training and Development-UK

that the selection of outside directors into board committees be strengthened to provide the required oversight responsibility expected by the committees to improve the quality of corporate governance.

Theoretical framework

Agency theory (Jensen & Meckling: 1976)

Agency theory developed by Jensen and Meckling in 1976 is an economic theory that views the firm as a set of contracts among self-interested individuals. An agency relationship is created when a person (the principal) authorizes another person (the agent) to act on his or her behalf. Jensen and Meckling envisaged a situation that managers of other people's money cannot be expected to watch over it with the same anxious vigilance that one would expect from the owners and therefore that negligence and profusion must always prevail. They established the relationship between the stakeholders, such as the shareholders and agents such as managers, and hold that managers cannot, on their own, optimize shareholders' returns unless proper governance mechanisms are placed in place to protect shareholders' interests (Jensen & Mecklings, 1976).

Agency theory proponents argues that division of ownership and power leads to moral hazard issues, where agents behave to gain personal advantages of shareholders' expense. Efficient board monitoring can be a great benefit to curb these behaviours. The board monitoring success relies, among others, on the board sub-committees

The general view of the agency theory stipulates those conflicts of interest emerge due to shifts in the interest of managers from that of the shareholders. Laux & Laux (2009) observe that managers do act in their own interest, contrary to the interest of the organization and the shareholders due to poor monitoring. In this (agency) theory, corporate governance principles are vital in ensuring that the interest of the principal and the agent along with the overall performance of the organization are protected.

This theory also stipulates that manager use their discretionary powers as a cover to decide on issues that suit their interest. They are usually more interested in short-term gains at the detriment of long-term goals of the shareholders. The principal–agency problem can be greatly reduced through close monitoring and supervision alongside the creation of better incentives to motivate managers. This has become very necessary because firms operate in a highly competitive environment which influences the perception of managers to take decisions that are complex and risky to remain relevant. In corroborating this view, Saat & Kallamu (2013) observed that agency issues have greatly influenced managers in taking risky decisions and hedging in the field of corporate risk management. The theory further highlights the likely conflict of interest that may arise between the management and other stakeholders due to asymmetries in income sharing which can affect the firm's investment potentials (Saat & Kallamu, 1987).

Independence of the board committees are essential in mitigating agency problems associated with firms. Higher proportion of independent directors is effective in checkmating the activities of management by ensuring that the interest of the shareholders (Principal) is protected.

Empirical review

Anderson & Biziak (2013) looked at the relationship between nomination committee (NC) and the financial performance of firms among United Kingdom (UK) financial institutions. Their result indicates a positive and statistically significant association between the NC of a firm and its Market Value (MV). The relationship between NC and the Return on Asset (ROA) of the firm as a measure of financial performance was positive. The second objectives examines the impact of NC on UK financial firms during the 2007/2008 global financial crisis. The empirical evidence gleaned highlights that firms adopting NC for corporate boards witness a positive and statistically significant impact on the ROA of the firms. There was also an inverse relationship demonstrated, in terms of financial performance on the MV of the firms during the pre- and post-global financial crisis.

Ramon (2001) evaluated 117 empirical research studies on audit committee (AC) composition, resources, and incentives (period 2007 through 2015). Regulators all over the world try to increase AC effectiveness that should have a positive impact on corporate governance quality. The author briefly introduce the theoretical, normative, and empirical AC framework that comprises an adequate structure of the state-of-the-art of empirical research in this field. This is followed by a discussion of AC monitoring process which aims to enhance corporate governance quality. The authors concluded that numerous studies have shown a positive impact of the AC's financial expertise on earnings quality. In this context, AC financial expertise has recently been increasingly specified, wherefore positive impacts of accounting, legal or industry expertise were measured either separately or in combination. Both the number of studies conducted, and the observed significances are significantly lower for the other components of the monitoring process (internal and external audit quality) and the firm performance.

Zona & Mimchilli (2013) attempted to achieve the main objective by examining the association between audit committee and firm performance of the Jordanian firms. This study used OLS regression to test the relationship between independent variable and dependent variable. The data comprised of 228 firms industrial and services. The findings indicated a positive direction but insignificant relationship between audit committee size and ROA. Whereas audit committee size with EPS is positive direction and significant. Farther more, the result shows audit committee meetings significant and positive direction with ROA. Correspondingly, audit committee meetings with EPS represent positive direction but insignificant.

Kazemian, Shauri, Sanusi, Kamuluddin & Shuhidan (2017) examined the relationships between Remuneration Committees, executive and board of director remuneration, and firm performance in Indonesia. This study uses 847 observations of firms listed on the Indonesian Stock Exchange (IDX) during 2014–2017. Their results indicate that RCs are positively related to executives' remuneration and firm performance. In particular, higher remuneration is only

linked to higher performance in firms that have established a remuneration committee. This study documents the interactions between RCs, remuneration levels of senior company officers and firm performance in an emerging market setting with voluntary formation of RCs. This study has implications for regulators and company management in Indonesia (and other emerging markets), as the existence of remuneration committees is found to be associated with more effective remuneration packages and higher firm performance

Jiraporn, Singh & Lee (2009) examined the effect of risk management committee (RMC) on human capital based on Australian listed firms over 2007-2013, and further determine whether RMC human capital is associated with firm performance and bankruptcy likelihood. Based on human capital theory, this study investigates the impact of RMC human capital, such as financial experience, tenure, on firm performance and on firms' bankruptcy likelihood. Data was collected from companies' annual report. Regression analysis was used to test the hypotheses. The results suggest the importance of risk management human capital, in terms of increasing firm performance and lowing the likelihood of bankruptcy. Specifically, the results indicate financial experience and tenure are the main factors increasing firm performance. For firms with female on the RMC, their bankruptcy likelihood is lower than firms without a female on RMC. However, the mere existence of a RMC, or managerial experience, auditing experience, accounting experience, qualifications and compensation do not individually impact on firm performance or bankruptcy likelihood. The authors concluded that the results of the study can inform firms in terms of the costs and benefits of investing in RMC human capital. Additionally, this study informs regulators about the current RMC human capital in Australia and provides implications to policy maker in relation to regulating better risk management practice – in relation to firms' human capital.

Girangwa, Rono, and Mose (2020) determined enterprise risk management effect on organizational performance of state corporations in Kenya. This study was guided by agency theory. The study used explanatory cross sectional survey design. Primary data was collected from structured questionnaires. A survey was carried out on 218 state corporations in Kenya. Data collected was analyzed by use of descriptive and inferential statistics. The research hypotheses were tested using multiple regression analysis. The results revealed that risk structure, governance and process practices had positive and significant effect on organizational performance. This study contributes to theory by centering enterprise risk management on the empirical testing of agency theory on the relationship between enterprise risk management practices and organizational performance. The study recommends that policy makers in state corporations should integrate risk management practices across all functions and business units for the purpose of addressing risks before they even occur.

Chuirunesia & Bintara (2019) examined (1) the roles and responsibilities of RMC on Malaysian non-finance firms and (2) the relationship between RMC and firms' financial performance. The data collected were from the corporate annual reports and for the period 2009 – 2016. Firms' financial performance was measured by return on assets (ROA), return on equity (ROE) and Tobin's Q. The RMC were proxied by five (5) characteristics: its size, its independence, the

European Journal of Accounting, Auditing and Finance Research
Vol.11, No. 7, pp.47-76, 2023
Print ISSN: 2053-4086(Print),
Online ISSN: 2053-4094(Online)
Website: https://www.eajournals.org/
Publication of the European Centre for Research Training and Development-UK

existence of CEO/ COO/CRO/CFO on RMC, their knowledge and expertise, and frequency of RMC meetings. The data were analyzed using the Panel Data Analysis Stata13. This study found that the responsibilities of RMC vary from simple reviewing and risk categorizing to approving risk strategies, reporting to the board of directors, and providing assurance on the risk management process. This study showed that the existence of CEO/COO/CRO/CFO on RMC and their knowledge and expertise are associated with firms' financial performance. This study concluded that though RMC in non-finance firms is a voluntary practice, their establishment is one of the important strategies of corporate governance reform

Fali, Philomena, Ibrahim, & Amos (2020) evaluated the effect of risk management committee size, independence, expertise on financial performance of listed insurance companies in Nigeria from 2012 to 2018. The study used a sample size of (24) insurance companies from population of 27 insurance firms. The study used secondary data obtained from annual report of the firms. The dependent variable was measured by return on asset (ROA) The study employed Random Effect regression model and find evidence that risk management committee expertise has negative and significant effect on financial performance while risk management committee size and independence does not influence financial performance. The study concludes that risk management committee constrain on management excess risk undertaking will lead to poor financial performance of insurance firms. The study recommends that the risk management committee should be made effective by inclusion of more members with background on finance and actuarial sciences into risk management committee structures.

Maina and Oluoch (2018) examines the effect of corporate Audit Committee characteristics on financial performance of manufacturing firms in Kenya. The study revealed that there exists a significant relationship between Audit Committee composition and Audit Committee meetings frequency and firms Financial Performance. In addition, Orjinta and Ikueze (2018) examined the effect of Audit Committee characteristics on performance of selected non-financial firms quoted in Nigerian Exchange Company Plc. A sample of 50 listed firms was used for the period 2007 to 2016. The result revealed that there is a significant positive relationship between Audit Committee independence, Audit Committee meeting and firm performance at 5% level of significant.

Nuhu, Umaru and Salisu (2017) examined the effect of Audit Committees' Quality (Audit Committee members, Audit Committee meetings and Audit Committee financial expertise) on financial performance with a focus on the Nigerian food and beverages sector. The result of the study also shows an insignificant negative effect between Audit Committee members and financial performance of the Nigerian food and beverages sector.

Olayinka (2019) examined the effect of Audit Committee Effectiveness on the growth of Firms Performance in Nigeria with emphasis on Eight Public Quoted Banks in Nigeria. The findings revealed that Audit Committee size, frequency of Audit Committee's meetings and financial literacy of Audit Committee members have no significant effect on firms' performance in Nigeria.

European Journal of Accounting, Auditing and Finance Research
Vol.11, No. 7, pp.47-76, 2023
Print ISSN: 2053-4086(Print),
Online ISSN: 2053-4094(Online)
Website: https://www.eajournals.org/
Publication of the European Centre for Research Training and Development-UK

Zemzem & Kacem (2014) investigated the relationship between the risk management committee and the financial performance of a Tunisian lending company between 2002 and 2011. The results of the study revealed a statistically significant positive relationship between the variables between 2002 and 2011

Wasiu, Titilope, & Mukaila, (2022). examines the characteristics of risk committees as well as their effects on the financial performance of deposit money banks (DMBs) in Nigeria. The study made use of secondary data gathered from the bank's annual reports, and 13 deposit money banks were chosen as a sample using the purposive sample technique. The data was analysed using the panel regression approach. Using a fixed effect model, the study discovered that the size and independence of risk management committees have a negative impact on the financial performance of deposit money banks in Nigeria, while the size of the committees is insignificant. Gender diversity and meetings have been shown to have a positive impact on the financial performance of DMBs in Nigeria. This study suggested that more women be included on the risk management committee, as well as that more frequent meeting be held to facilitate this participation.

Research design

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

Population of the study

The population of the study consists of all the listed non-finance firms. As of December, 2021, we had 108 non-finance firms listed on the floor of the Nigerian Exchange Group.

Sample size

From the population 108 was from selected non-finance firms listed on Nigeria Stock Exchange Group between 2012 and 2021. The sample was determined using Taro Yamane formula as follows:

$$n = \frac{N}{1+N(e)^2}$$

where:

n = sample size

N = population

e = error term (5% on the basis of 95% confidence interval)

Thus, $n = \frac{108}{1+108(0.05)^2}$

$N = \frac{108}{1+108(0.0025)}$

$= \frac{108}{1+0.27}$

$= \frac{108}{1.27}$

$= 85$

Sampling technique

The sampling technique employed is purposive sampling technique since firms were included in the sample on certain selection criteria. These criteria were based on the firms that are listed on the Nigerian Exchange Group market for 2012-2021; there was access to their annual

financial reports within the period. Thus, only non-finance firms that had all relevant data due to continuous existence were included in the sample. The final sample size consists of 10 non-finance firms that were arrived at based on the availability of data for ten years for all the research variables.

Method of data collection

In this study, secondary data was used. However, the computed performance proxies, the independent variables of audit committee independence, risk management committee independence and remuneration committee independence. Data was sourced from each listed firm's annual audited financial reports.

Model Specification

In this study, the researcher specifies the model to capture performance of listed non-finance firms. Thus, the study adapted the model specified by Osemwegie & Ugbogbo (2019) which was modified for the purpose of establishing the relationship between the dependent variables and the linear combinations of several determining variables captured in the study. Succinctly, the econometric form of our model is expressed as:

$RETE_{it} = \beta_o + \beta_1 AUDC_{it} + et$ …………………………………………….. (1)

$RETE_{it} = \beta_o + \beta_2 RcGD_{it} + et$ …………………………………………….. (2)

$RETE_{it} = \beta_o + \beta_3 RCIN_{it} + et$ …………………………………………….. (3)

$RETE_{it} = \beta_o + \beta_1 AUDC_{it} + \beta_2 RCGD_{it} + \beta_3 RCIN_{it})$ ………………………..…….. (4)

Where:

RETE	=	Return on Asset
AUDC	=	Audit committee independence
RCGD	=	Risk management committee independence
RCIN	=	Remuneration committee independence
β_0	=	Constant
β_1- β_3	=	Slope coefficient
i	=	i^{th} firm
t	=	time-period

Data analysis techniques

Descriptive and inferential statistics will be used to analyze the data. Analysis of variance (ANOVA) regression technique will be employed to test the research hypothesis Descriptive analysis will be used to determine the mean, range of scores (Minimum and Maximum), standard deviation, Skewness and Kurtosis for each variable of the study. The ANOVA regression analysis will be conducted to examine the strength of the relationship between the dependent and independent variables. Inferential statistics of the stated hypotheses were carried out using Pearson Coefficient of Correlation which is a good measure of relationship between two variables. Due to the panel nature of the data, the reported p-values via Ordinary Least Squares (OLS) Regression Analysis was used to test the significance of the stated research hypotheses.

European Journal of Accounting, Auditing and Finance Research
Vol.11, No. 7, pp.47-76, 2023
Print ISSN: 2053-4086(Print),
Online ISSN: 2053-4094(Online)
Website: https://www.eajournals.org/
Publication of the European Centre for Research Training and Development-UK

S/N	Variables	Description/measurement	*Apriori* expectation
Dependent Variable			
1.	Return on Asset	Return on asset in percentage is computed as profit after tax divided Total asset	
Independent variables			
2.	Audit committee independence	Audit committee independence in percentage is computed as the non-executive directors and shareholder's representatives in audit committee to total audit committee members' size.	+
3.	Risk management committee independence	Risk management committee independence in percentage is computed as the non-executive directors and shareholder's representatives in risk management committee to total risk management committee members' size.	+
4.	Remuneration committee independence	Remuneration Committee Independence in percentage is computed as the non-executive directors and shareholder's representatives in Remuneration Committee to total Remuneration Committee members' size.	+

Table 3.1 Operationalization/ Measurement of Variables and *Apriori* Expectation
Source: ***Author's Compilation (2023)***

Data Presentation

The data set required for this study was extracted from the annual reports of the sampled non-finance companies. The data were profit for the year, total assets, the audit committee size, risk management committee size and remuneration committee size. These data were used to compute the dependent variable which is financial performance measured as return on assets. The data set covered the period 2012- 2021 which was 10 years for 10 companies, making the total observation to be 100. The data set are presented in the Appendix I of the study.

Descriptive Statistics

The result of the analysis presented in Table 4.1 shows that the following descriptive statistics; mean, maximum, minimum and standard deviation.

Table 4.1 Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ROA (Financial Performance)	100	-10.2	26.5	9.034	7.3385
AUDIT COMMITTEE SIZE	100	4.0	8.0	6.010	.7587
RISK COMMITTEE SIZE	100	2.0	11.0	4.760	1.9286
REMUNERATION COMMITTEE SIZE	100	2.0	8.0	4.380	1.4549
Valid N (listwise)	100				

Source: Researcher's Computation (2023)

The minimum ROA for the selected non-finance companies in Nigeria for the period 2012-2021 was -10.2% while the maximum value was 26.5%. The average ROA of the companies for the period was 9.03%. This means for every one naira invested in the assets of non-finance firms in Nigeria, 9.03% is expected as returns.

The minimum value of audit committee size of the selected non-finance companies in Nigeria for the period 2012-2021 was 4 while the maximum value was 8. The average size of audit committees of the non-finance firms is 6.

The minimum value of risk committee size of the selected non-finance companies in Nigeria for the period 2012-2021 was 2 while the maximum value was 11. The average size of risk committees of the non-finance firms is 5.

The minimum value of remuneration committee size of the selected non-finance companies in Nigeria for the period 2012-2021 was 2 while the maximum value was 8. The average size of remuneration committees of the non-finance firms is 4.

Test of Hypotheses

The research hypotheses were tested in this section of the study.The test was carried out using Ordinary least square regression with the model specification shown in the methodology using SPSS version 20 software. The result of the analysis is shown thus;

Table 4.2 Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.414[a]	.172	.146	.77548	.328

a. **Predictors:** (Constant), REMUNERATION COMMITTEE SIZE, AUDIT COMMITTEE SIZE, RISK COMMITTEE SIZE
b. **Dependent Variable:** RETURN ON ASSETS

Source: Researcher's Computation (2023)

Table 4.3 ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.960	3	3.987	6.630	.000[b]
	Residual	57.731	96	.601		
	Total	69.692	99			

a. Dependent Variable: RETURN ON ASSETS
b. Predictors: (Constant), REMUNERATION COMMITTEE SIZE, AUDIT COMMITTEE SIZE, RISK COMMITTEE SIZE

Source: Researcher's Computation (2023)

Table 4.4 Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	5.741	.656		8.749	.000		
	AUDIT COMMITTEE SIZE	.271	.110	.245	2.459	.016	.872	1.147
	RISK COMMITTEE SIZE	.119	.064	.274	1.864	.002	.400	1.499
	REMUNERATION COMMITTEE SIZE	.010	.081	.018	.128	.898	.438	1.284

a. Dependent Variable: RETURN ON ASSETS

Source: Researcher's Computation (2023)

Hypothesis One

The null hypothesis one states that there is no significant relationship between audit committee independence and financial performance of listed non-finance firms in Nigeria. Based on the decision rule of the study, the null hypothesis one of the study is rejected and the alternate accepted because the p-value of 0.016 shown in Table 4.4 is less than 0.05. The null hypothesis is further rejected because the t-cal value of 2.459 is greater than the critical value of t which was 1.984. Therefore, audit committee independence has a significant relationship with the performance of listed non-finance firms in Nigeria.

Hypothesis Two

The null hypothesis two states that there is no significant relationship between risk management committee independence and financial performance of listed non-finance firms in Nigeria. Based on the decision rule of the study, the null hypothesis two of the study is rejected and the alternate accepted because the p-value of 0.002 shown in Table 4.4 is less than 0.05. The null hypothesis is further rejected because the t-cal value of 2.864 is greater than the critical value of t which was 1.984. Therefore, risk management committee independence has significant relationship with the performance of listed non-finance firms in Nigeria.

Hypothesis Three

The null hypothesis three states that there is no significant relationship between remuneration committee independence and financial performance of listed non-finance firms in Nigeria. Based on the decision rule of the study, the null hypothesis three of the study is accepted and the alternate rejected because the p-value of 0.898 shown in Table 4.4 is greater than 0.05. The null hypothesis is further accepted because the t-cal value of 0.128is less than the critical value of t which was 1.984.

DISCUSSION OF FINDINGS

The result of the analysis of hypothesis one showed a regression coefficient of 0.245 for audit committee independence. This implies that 24.5% of the variation in performance of non-

European Journal of Accounting, Auditing and Finance Research
Vol.11, No. 7, pp.47-76, 2023
Print ISSN: 2053-4086(Print),
Online ISSN: 2053-4094(Online)
Website: https://www.eajournals.org/
Publication of the European Centre for Research Training and Development-UK

finance companies in Nigeria is accounted for by audit committee independence of the companies. This result means that an increase in the audit committee independence of non-finance firms in Nigeria will increase the performance of the selected companies by only 24.5%. The result of the analysis shows that there is a positive relationship between performance and audit committee independence of the selected companies as shown in regression analysis. This finding is in tandem with the study of Ojeka, Iyoha & Obigbemi (2014) which explores the influence of audit committee effectiveness on firm performance using independence as one of the variables. The result of the analysis showed a positive significant relationship between audit independence and return on assets (ROA). Orjinta and Ikwaeze (2018) examined the effect of audit committee characteristics on performance of selected non-financial firms quoted in the Nigerian Stock Exchange. A sample of 50 listed firms was used for the period 2007 to 2016. The result revealed that there is a significant positive relationship between audit committee independence and firm performance. On the contrary, the findings of this study did not agree with the finding of Gabriela (2016) which examined the impact audit committee characteristics on firm performance using evidence from non-financial firms listed on London Stock Exchange in UK from 2011 to 2015. The study found audit committee independence to be negatively correlated with firm performance. In the same vein, Bansal and Sharma (2016) examined the role of audit committee Characteristics in improving firm performance. Their findings did not reveal any positive effect of audit committee independence on the financial performance of Indian firms. Aryan (2015) showed no positive significant relationship between audit committee composition and companies profitability.

The result of the analysis of hypothesis two showed a regression coefficient of 0.274 for risk committee independence. This implies that 27.4% of the variation in performance of non-finance companies in Nigeria is accounted for by risk committee independence of the companies. This result means that an increase in the risk committee independence of non-finance firms in Nigeria will increase the financial performance of the selected companies by only 27.4%. The result of the analysis shows that there is a positive relationship between financial performance and risk committee independence. This finding is line with the finding of Jimoh & Atah (2018) which study on risk management committee attributes and bank performance in Nigeria shows that risk management attributes except size contribute all contribute to firm's improved result. The result is contrary to prior studies by Abubakar et al. (2018) and Kakanda et al. (2017) whose results showed that there is no significant effect of risk management committee on financial performance of listed insurance firms in Nigeria.
The result of the analysis of hypothesis three showed a regression coefficient of 0.018 for remuneration committee independence. This implies that 1.8% of the variation in performance of non-finance companies in Nigeria is accounted for by remuneration committee independence of the companies. This result means that an increase in the remuneration committee size of non-finance firms in Nigeria will increase the performance of the selected companies by only 1.8%. The result of the analysis shows that there is a negative relationship between performance and remuneration committee independence of the selected companies as shown in regression analysis. This is in line with the finding of Patti & Winsor (2013) which

European Journal of Accounting, Auditing and Finance Research
Vol.11, No. 7, pp.47-76, 2023
Print ISSN: 2053-4086(Print),
Online ISSN: 2053-4094(Online)
Website: https://www.eajournals.org/
Publication of the European Centre for Research Training and Development-UK

investigated the relationship between remuneration committee, independence and CEO remuneration for firm financial performance and which finding revealed that remuneration committee independence is not universally effective in linking CEO remuneration to firm financial performance. Also, the findings are in tandem with that of saal & Kallamu (2013) which report that remuneration committee independence had a significance negative impact on firm performance

Summary of findings

From the result of data analysis carried out in chapter four of the study, the following findings were made:

i. Audit committee independence significantly influence the performance of non-finance companies in Nigeria.
ii. Risk committee independence significantly influence the performance of non-finance companies in Nigeria.
iii. Remuneration committee independence negatively influence the performance of non-finance companies in Nigeria.

CONCLUSION

Despite the agency prescriptions on the resourcefulness of board committees, there are disparity in evidence that suggest that board committees' independence are linked to firm financial performance. However, the study has established that there exists a relationship between board committees' independence and firm financial performance. Specifically, the study concluded that only the variable of remuneration committee independence has negative but insignificant effect on firm financial performance. Furthermore, the study concluded that and increase in audit committee independence and risk management committee independence significantly increase the financial performance of listed non-finance firms in Nigeria.

Recommendations

This study has sufficiently established different positions on the links between board committees' independence and financial performance of listed non-finance firms. Based on the findings of this study, the researcher recommended that:

1. Corporate boards of non-finance firms should maintain a sizeable audit committee that are dominated by non-executive directors and shareholders so as to maintain their independence as this significantly influence the firm financial performance.
2. Risk management committee should be made effective by ensuring their independence through nomination of a greater number of non-executive directors and shareholders as this impacts on the financial performance of listed non-finance firms in Nigeria.
3. Remuneration committee is observed to negatively impact on firm financial performance, though not significantly. It is recommended that remuneration committee of non-finance firms be made independent from the board to boost the overall firm financial performance.

REFERENCES

Abdullah, A., Qaiser, R., Ashikur, R., Ananda, W. & Thurai, M. N. (2014). Relationship between audit audit committee characteristics, external auditors and economic value added (EVA) of public listed firms in Malaysia. Corporate Ownership & Control, 12, 900 Argan, L. A. (2015). The relationship between audit committee characteristics on the firm performance: Evidence from Jordan. *International management review*, 9, 32-42.

Abu, S. O., Alhassan, S. A., & Okpe, U. J. (2021). Board committees and financial performance of Listed Deposit Money Banks in Nigeria. *FUDMA Journal of Management Sciences*, *2*(2), 33-46.

Abubakar, A. H., Ado, A. B., Mohamed, M. I., & Mustapha, U. A. (2018). The effect of risk management committee attributes and board financial knowledge on the financial performance of listed banks in Nigeria. *American International Journal of Business Management*, *1*(5), 7-13.

Ahmed, I. &Ombaba K. B. (2019).Audit Committee Independence and Financial Performance of Banking and Insurance Firms Listed in Nairobi Securities Exchange. *Africa International Journal of Management Education and Governance* (AIJMEG). 4 (1), 1-10.

Ahmed, M.(2018). The impact of audit committee characteristics on firm performance: evidence from Jordan. *Academy of Accounting and Financial Studies Journal*, 22(5), 1-7.

Akindele, R. I. (2012). Risk management and corporate governance performance-empirical evidence from the Nigerian banking sector. *IFE Psychologia: An International Journal*, *20*(1), 103-120.

Al – Saidi M. (2021). Board independence and firm performance. Evidence from Kuwait. *International Journal of Law and Management, 63(2), 251-263.*

Al-Hadrami, A., Rafiki, A. & Sarea, A. (2020).The impact of an audit committee's independence and competence on investment decision: a study in Bahrain. *Asian Journal of Accounting Research*, 5(2),299-313. https://doi.org/10.1108/AJAR-02-2020-0008.

Al-Mamun, A., Yasser, Q. R., Rahman, M. A., Wickramasinghe, A., & Nathan, T. M. (2014). Relationship between audit committee characteristics, external auditors and economic value added (EVA) of public listed firms in Malaysia. *Corporate Ownership &Control*, *12*(1), 899-910.

Al-Matari, Y.A., Al-Swidi, A. K. Fadzil, F.H. & Al-Matari, E.M.(2012). Board of directors, audit committee characteristics and performance of Saudi Arabia listed companies. *Intenational review of management and marketing*, 2(4), 241-251.

Anderson, R. C., &Bizjak, J. M. (2003). An empirical examination of the role of the CEO and the compensation committee in structuring executive pay. *Journal of Banking & Finance*, *27*(7), 1323-1348.

Arun, T. G., & Turner, J. D. (2002). Financial sector reforms in developing countries: the Indian experience. *World Economy*, *25*(3), 429-445.

Atik, A. (2009). Detecting income-smoothing behaviors of Turkish listed companies through empirical tests using discretionary accounting changes. *Critical Perspectives on Accounting*, *20*(5), 591-613.

Atrill, P., & McLaney, E. (2009). *Management accounting for decision makers*. Pearson Education.

Baldenius, T., Melumad, N., & Meng, X. (2014). Board composition and CEO power. *Journal of Financial Economics*, *112*(1), 53-68.

Bansal, N. & Sharma, K (2016). Audit committee, corporate government and firm performance: empirical evidence from India. *Informational Journal of economics and finance,* 8(3), 103-116.

Be´dard, J., Chtourou, S. M., &Courteau, L. (2004). The effect of audit committee expertise, independence, and activity on aggressive earnings management. *Auditing: A journal of practice & theory*, *23*(2), 13-35.

Cadbury Committee. (1992). Report of the Committee on the Financial Aspects of Corporate Governance, London: Professional Publishing Ltd. Retrieve from http://www.ecgi.org/codes/documents/cadbury.pdf.

Chairunesia, W., &Bintara, R. (2019). The effect of good corporate governance and financial distress on earnings management in Indonesian and Malaysia companies entered in ASEAN corporate governance scorecard. *International Journal of Academic Research in Accounting, Finance and Management Sciences*, *9*(2), 224-236.

Chii, S. & Shih-Ti, Y.(2014).Remuneration Committee, Board Independence and Top Executive Compensation.*Journal of Risk Financial Management,*, *7*(2), 28-44; https://doi.org/10.3390/jrfm7020028.

Cotter, J. F., Shivdasani, A., & Zenner, M. (1997). Do independent directors enhance target shareholder wealth during tender offers?. *Journal of financial economics*, *43*(2), 195-218.

Drjinta, H. I., H. I. & Ikuese, N. E. (2018). Effect of audit committee characteristics on performance of nom-financial firms. Evidence form a recessed economy. *Interactional Journal of innovation and applied studies*, 24(1), 289-298.

Ebere, C. C., Ibanichuka, E.A.L. & Ogbonna, G.N.(2016). Cooperate governance system and financial performance of quoted insurance companies in Nigeria. *International journal of business and law research*, 4(4), 34-41.

Elamer, A. &Benyazid, I. (2018). The impact of risk committee on financial performance of uk financial institutions (March 2018). *International Journal of Accounting and Finance*, , Available at SSRN: https://ssrn.com/abstract=3140917.

Fali I., Philomena, O. N., Ibrahim Y. & Amos, A. (2020). Risk management committee size, independence, expertise and financial performance of listed insurance firms in Nigeria. *European Journal of Business and management 12(12) 143-153.*

Finkelstein, S., & Hambrick, D. C. (1989). Chief executive compensation: A study of the intersection of markets and political processes. *Strategic Management Journal*, *10*(2), 121-134.

Gabriela, Z. (2016). The audit committee characteristics and firm performance. Unpunished dissertation, master in finance, UK.

Girangwa, K. G. Rono, L. & Mose, J. (2019). The influence of enterprise risk management practice and organizational performance. Does intellectual capital make a difference? *Expert Journal of finance.*

Gujarati; D. N. (2003). Basic economics. 4th edition. McGraw-Hill, New York.

Halim, E. H., Mustika, G., Sari, R. N., Anugerah, R., &Mohd-Sanusi, Z. (2017). Corporate governance practices and financial performance: The mediating effect of risk management committee at manufacturing firms. *Journal of International Studies*, *10*(4).

Handicap, R. (2018). Does corporate governance affect financial performance? *A study of selected Indian Banks South Asian Economic and financial Review*, 8(4), 385-404.

Harymawan, I., Agustia, D., Dwi P. A. & Ratri M. C. (2020). Board meeting, loss, and cooperate social responsibility disclosure. *Journal of security and sustainability issues, Vol. 9.*

Huse, M. (2007). *Boards, governance and value creation: The human side of corporate governance*. Cambridge University Press.

Ibrahim, M., Okika, N., Yunusa, I. &Janada, A.(2019).Risk management committee size, independence, expertise and financial performance of listed insurance firms in Nigeria. *International Journal of Research and Innovation in Social Science* (IJRISS)4(4), 313-319.

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of financial economics*, *3*(4), 305-360.

Jimoh, A. T., &Attah, J. A. (2018). Risk management committee attributes and bank performance in Nigeria. *Fountain University Osogbo Journal of Management*, 2(3).

Jiraporn, P., Singh, M., & Lee, C. I. (2009). Ineffective corporate governance: Director busyness and board committee memberships. *Journal of Banking & Finance*, *33*(5), 819-828.

Joseph V. C., Dana R. H., and Zhongxia Y., (2011). Corporate governance research in accounting and auditing: Insights, practice implications, and future research directions. *Auditing: A Journal of Practice & Theory*, 30(3), 1-31.

Kakanda M. M., Salim B. &Chandren S. (2017).Risk Management Committee Characteristics and Market Performance: Empirical Evidence from listed financial firms in Nigeria. Proceedings of 94th IASTEM International Conference, Kuala Lumpur, Malasia.

Kakanda, M., Salim, B., &Chandren, S. (2014). Review of the relationship between board attributes and firm performance. *Asian Journal of Finance & Accounting*, *8*(1).

Kakanda, M., Salim, B., &Chandren, S. (2016). Review of the relationship between board attributes and firm performance. *Asian Journal of Finance & Accounting*, *8*(1).

Kallamu, B. S. (2016). Ownership structure, independent directors and firm performance. *Journal of Social and Administrative Sciences*, *3*(1), 17-30.

Kallamu, B.(2015).Risk Management Committee Attributes and Firm Performance. *International Finance and Banking* 2(2),1-20.

Karim, S., Vigne, S.A., Lucey, B.M. and Naeem, M.A. (2022), "Discretionary impacts of the risk management committee attributes on firm performance: do board size

matter?", *International Journal of Emerging Markets*, 12(4), 12-24.. https://doi.org/10.1108/IJOEM-05-2022-0782.

Kazemian, S., Shauri, N. A. A., Sanusi, Z. M., Kamaluddin, A., &Shuhidan, S. M. (2017). Monitoring mechanisms and financial distress of public listed companies in Malaysia. *Journal of International Studies*, *10*(1).

Laux, C., & Laux, V. (2009). Board committees, CEO compensation, and earnings management. *The accounting review*, *84*(3), 869-891.

Lee, S.K., Bosworth, W. & Kudo, F. (2015).Compensation committees: independence and firm performance, *Managerial Finance*, 42(1), 23-33. https://doi.org/10.1108/MF-10-2015-0263.

Mohammad, A.&Faudziah, H. (2019).The Impact of Nomination and Remuneration Committee on Corporate Financial Performance. *Academy of Accounting and Financial Studies Journal,* 22(3), 11-23.

Mohammed, B. H., Flayyih, H. H., Mohammed, Y. N., &Abbood, H. Q. (2019). The effect of audit committee characteristics and firm financial performance: An empirical study of listed companies in Iraq stock exchange. *Journal of Engineering and Applied Science*, *14*(4), 4919-4926.

Mohammed, Q., Abdulqawi, H., Basel, J.& Mohammad, S.(2021).Audit Committee Characteristics and Firm Performance: Evidence from the Insurance Sector in Bahrain*, RevistaGestãoInovação e Tecnologias* 11(2):1666 – 1680.

Mohamud, H.H, (2021) *The effect of audit committee attributes and audit quality on the financial performance of banks in Nigeria.* Masters thesis, Universiti Utara Malaysia.

Ng, T. H., Chong, L. L., & Ismail, H. (2013). Is the risk management committee only a procedural compliance? An insight into managing risk taking among insurance companies in Malaysia. *The Journal of Risk Finance*. *6*(5), 10-17.

Nicholson, G. J., & Kiel, G. C. (2007). Can directors impact performance? A case-based test of three theories of corporate governance. *Corporate Governance: An International Review*, *15*(4), 585-608.

OECD (1999); OECD Principles of Corporate Governance, Ad-Hoc Task Force on Corporate Governance, OECD, Paris.

Ogbeide, S., &Akanji, B. (2016). Executive remuneration and the financial performance of quoted firms: The Nigerian experience.

Ojeka, S., Iyoha, F. O. & Obigbemi, F. (2014) *Effectiveness of Audit Committee and Firm Financial Performance in Nigeria: An Empirical Analysis. Journal of Accounting and Auditing: Research & Practice.* 301176, 1-12.

Omotoye, O., Adeyemo, K., Omotoye, T., Okeme, F., & Leigh, A. (2021). Audit committee attributes, board attributes and market performance of listed deposit money banks in Nigeria.

Pan, Y., Huang, P. &Gopal, A.(2016). Board independence and firm performance in the it industry: the moderating role of new entry threats (September 5, 2016). MIS Quarterly, Available at SSRN: https://ssrn.com/abstract=2835117 or http://dx.doi.org/10.2139/ssrn.2835117

Patti, C. & Winsor, C.(2013). Remuneration Committee Independence and CEO Remuneration for Firm Financial Performance. *Accounting Research Journal* 26(3):197-221.

Peter, A.(2015). The nomination committee and firm performance: an empirical investigation of UK financial institutions during the pre/post financial crisis. *Corporate Board: Role, Duties & Composition,* 11(3), 176-190.

Protiviti, S. O. (2011). Sarbanes-Oxley Compliance Survey. *New York.*

Putranto, P., (2018). Effect of Managerial Ownership and Profitability on Firm Value (Emprical Study on Food and Beverage Industrial Sector Company 2012 to 2015). *European Journal Business and Management*, *10*(25), 2018.

Ramon, V. R. (2001). Corporate governance as competitive advantage in Asia. *Managing Corporate Governance in Asia. Asian Institute of Management, Philippines*.

Rimin, F., Bujang, I., Wong Su Chu, A. and Said, J. (2021), "The effect of a separate risk management committee (RMC) towards firms' performances on consumer goods sector in Malaysia", *Business Process Management Journal*,27(4),1200-1216. https://doi.org/10.1108/BPMJ-06-2020-0265.

Rivas, J. L. (2012). Co-opting the environment: an empirical test of resource-dependence theory. *The International Journal of Human Resource Management*, *23*(2), 294-311.

Rocka, H. (2020). Board committees and financial performance: Evidence from selected Indian banks.

Saat, N. A. M., &Kallamu, B. S. (2013). Remuneration committee attributes and firm performance in finance industry. *Int. Bus. Manag*, *7*(6), 475-484.

Salancik, G. R., & Pfeffer, J. (1978). A social information processing approach to job attitudes and task design. *Administrative science quarterly*, 224-253.

Shan, Y. G. & Mclver, R. P. (2011). Corporate governance mechanisms and financial performance in china: Panel data evidence on listed non-financial companies. *Asian pacific business review,* 17(3) 301-324.

Simoneti, M., & Gregorič, A. (2004). *Managerial ownership and corporate performance in Slovenian post-privatization period*. ECGI. *Asian Journal of Finance & Accounting*, *8*(1)

Sternberg, E. (1997). The defects of stakeholder theory. *Corporate Governance: An International Review*, *5*(1), 3-10.

Subramaniam, N., McManus, L., & Zhang, J. (2009). Corporate governance, firm characteristics and risk management committee formation in Australian companies. *Managerial Auditing Journal*. *1*(5), 7-13.

Walker, M. P. (2009). The role of sleep-in cognition and emotion. *Annals of the New York Academy of Sciences*, *1156*(1), 168-197.

Walker, R. M. (2004). Innovation and organizational performance: Evidence and a research agenda. *Advanced Institute of Management Research Paper*, (002).

Wanachan, S. Robert, T. & John, P. (2011). Board Independence, Sub-committee Independence and Firm Performance: Evidence from Australia. *Asia Pacific Journal of Economics & Business*, 15(2), 1–11.

Weir, C., & Laing, D. (2001). Ownership, board characteristics and non-hostile take-overs in the UK: an empirical and predictive analysis. *Board Characteristics and Non-Hostile Take-Overs in the UK: An Empirical and Predictive Analysis (October 2001)*.

Weisbach, M. S. (1988). Outside directors and CEO turnover. *Journal of financial Economics*, *20*, 431-460.

Yameen, M., Farhan, N. H., & Tabash, M. I. (2019). The impact of corporate governance practices on firm's performance: Empirical evidence from Indian tourism sector. *Journal of International Studies*, *12*(1).

Zona, F., Zattoni, A., & Minichilli, A. (2013). A contingency model of boards of directors and firm innovation: The moderating role of firm size. *British Journal of Management*, *24*(3), 299-315.

Zraiq M. A. A. & Fadzil, F. H. B. (2018). The impact of audit committee characteristics on firm performance: Guidance from Jordan. *Sch. J. Applied science research journal*; 5, 39-42.