

Corporate Governance Disclosure, Executive Compensation and the Financial Performance of Listed Manufacturing Companies in Nigeria

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Abstract

This study examined the effect of corporate governance disclosure and executive compensation on the financial performance of listed manufacturing companies in Nigeria operating in Oyo State. The specific objectives were to: (i) examine the effect of board size on ROA; (ii) assess the effect of audit committee independence on ROA; (iii) evaluate the effect of CEO cash compensation on ROA; (iv) determine the effect of CEO equity ownership on ROA; and (v) investigate the joint effect of all four predictors on ROA. The study was underpinned by agency theory as the primary theoretical lens. An ex post facto panel research design was employed. The population comprised all manufacturing companies listed on the Nigerian Exchange Group with operational headquarters or principal manufacturing facilities in Oyo State, Nigeria. A census sampling strategy yielded five companies (Nestle Nigeria Plc, Lafarge Africa Plc, Unilever Nigeria Plc, Fidson Healthcare Plc, and Morison Industries Plc) observed over ten years (2016-2025), producing 50 firm-year observations. Secondary data were extracted from audited annual reports. The fixed effects regression model was jointly significant ($F(6,43) = 204.833, p < 0.001$) with excellent explanatory power ($R^2 = 0.9662, \text{Adj. } R^2 = 0.9615$). Board size ($\beta = -0.3997, t = -0.868, p = 0.390$) and audit committee independence ($\beta = 6.4745, t = 0.901, p = 0.373$) did not individually achieve statistical significance, though both coefficients carried theoretically expected positive signs. CEO cash compensation demonstrated a positive and statistically significant effect on ROA ($\beta = 0.0255, t = 2.843, p = 0.007$). CEO equity ownership exhibited a negative but statistically non-significant coefficient ($\beta = -2.8376, t = -0.302, p = 0.764$). The joint effect of all four governance and compensation variables was statistically significant ($F(4,45) = 204.833, p < 0.001$). The study concluded that corporate governance disclosure and executive compensation mechanisms collectively and significantly explain variations in financial performance among listed manufacturing companies in Nigeria. Thus, it was recommended that boards of directors should maintain board sizes within the seven-to-twelve range and prioritize genuine audit committee independence exceeding FRCN's two-thirds minimum; remuneration committees should design balanced CEO compensation packages with performance-vested cash bonuses and equity concentration limits not exceeding 15% of outstanding shares; and the Financial Reporting Council of Nigeria.

Keywords: *Corporate Governance, Disclosure, Executive Compensation, Financial Performance, Manufacturing Companies.*

Introduction

Financial performance serves as the dependent variable and reflects how efficiently a manufacturing company converts its asset base into net income. In the Nigerian context, the financial performance of listed manufacturing companies has shown persistent volatility. According to Otekunrin, Nwanji, and Ajayi (2024), average ROA among Nigerian manufacturing firms declined from 8.2% in 2019 to 4.7% in 2023, signaling growing inefficiencies in asset utilization. This downward trend has raised serious concerns among investors, creditors, and regulators about the ability of manufacturing firms to generate sustainable profits (Eneh & Okeke, 2025). Two key factors that are theorized to influence financial performance are corporate governance disclosure and executive compensation.

Corporate governance disclosure encompasses the transparency and accountability practices of corporate boards, while executive compensation structures are designed to align the interests of managers with those of shareholders (Olaniyi, Adebayo, & Yusuf, 2024). The relationship between these independent variables and financial performance continues to generate substantial debate in emerging markets, particularly in Nigeria, where regulatory frameworks are evolving and ownership structures differ markedly from developed economies (Ugwueze, Eze, & Nweze, 2023).

The Nigerian corporate governance landscape has undergone significant transformation since the introduction of the Securities and Exchange Commission (SEC) Code of Corporate Governance in 2003, revised in 2011, and the Financial Reporting Council of Nigeria (FRCN) Code in 2014. These regulatory interventions were designed to enhance board effectiveness, improve disclosure practices, and ensure appropriate compensation arrangements, all with the ultimate goal of improving firm financial performance (Nwankwo, Okafor, & Ezeigbo, 2025). Despite these efforts, concerns persist regarding the extent to which manufacturing companies comply with corporate governance disclosure requirements and whether executive compensation practices effectively drive superior ROA. The unique institutional environment of Nigeria -- characterised by concentrated ownership, weak legal enforcement, and the dominance of founder-led or family-controlled firms -- suggests that findings from developed markets may not be directly applicable (Idris & Gambo, 2026).

Corporate governance disclosure, as an independent variable, is operationalised through two widely recognised measures: board size and audit committee independence. Board size reflects the number of directors serving on a firm's board, influencing monitoring effectiveness, decision-making processes, and resource provision. Larger boards may offer diverse perspectives and broader networks but can suffer from coordination problems and free-rider issues (Ugwueze et al., 2023). Conversely, smaller boards may be more agile but could lack adequate oversight capacity. In a study of 45 Nigerian manufacturing firms, Eneh and Okeke (2025) found that boards with between seven and eleven members achieved the highest ROA, while those exceeding twelve members experienced diminishing returns. Audit committee independence, typically measured as the proportion of independent non-executive directors serving on the audit committee, is critical for ensuring credible financial reporting and mitigating earnings management practices. Independent audit committees are better positioned to challenge management assumptions and protect shareholder interests, thereby enhancing financial performance (Adeleke & Fadipe, 2025).

Executive compensation is measured using two prominent indicators: CEO cash compensation and CEO equity ownership. CEO cash compensation comprises base salary, bonuses, and other cash-based incentives that provide immediate rewards for short-term performance achievements (Olaniyi et al., 2024). CEO equity ownership, measured as the

percentage of outstanding shares held by the CEO, aligns managerial interests with long-term shareholder value creation, potentially reducing agency conflicts between principals and agents. The combination of cash and equity-based compensation creates a balanced incentive structure that addresses both immediate and future performance horizons (Idris & Gambo, 2026). However, excessive cash compensation can divert resources without commensurate productivity gains, as documented by Nwankwo et al. (2025), who found a negative association between CEO cash compensation exceeding industry median and ROA in Nigerian manufacturing firms.

Statement of the Problem

Listed manufacturing companies in Nigeria have exhibited inconsistent and frequently declining financial performance in recent years, with many firms reporting negative returns, shrinking profit margins, and in some cases, delisting from the Nigerian Exchange Group. Between 2016 and 2025, several prominent manufacturing firms faced financial distress, accumulated significant losses, or required regulatory intervention to remain viable (Otekunrin et al., 2024). This performance crisis, measured most directly by persistently low or falling ROA, persists despite the existence of formal corporate governance codes and compensation guidelines designed to promote accountability and managerial alignment.

Empirical investigations into the effects of corporate governance disclosure on financial performance have yielded mixed and inconclusive findings. Some studies report positive associations between board size and ROA, while others document negative or non-linear relationships (Ugwueze et al., 2023). Similarly, research on audit committee independence and financial performance has produced contradictory results (Eneh & Okeke, 2025). The executive compensation literature is equally divided, with unresolved debates about whether cash compensation motivates superior financial performance or simply rewards managerial power, and whether equity ownership effectively aligns interests or exposes executives to excessive risk (Olaniyi et al., 2024; Idris & Gambo, 2026).

Furthermore, existing Nigerian studies have predominantly focused on either corporate governance disclosure or executive compensation in isolation, rather than examining their joint effects on financial performance. This fragmented approach obscures potential interactions and trade-offs between the two independent variables (Onwuchekwa & Aliyu, 2023). Therefore, the central problem that this study addresses is the lack of comprehensive empirical evidence on how two key corporate governance disclosure measures (board size and audit committee independence) and two executive compensation measures (CEO cash compensation and CEO equity ownership) individually and jointly affect financial performance (return on assets) among listed manufacturing companies in Nigeria.

This study attempts to understand these intertwined concerns by posing the following key research question:

- i. What is the effect of board size on the return on assets of listed manufacturing companies in Nigeria?
- ii. What is the effect of audit committee independence on the return on assets of listed manufacturing companies in Nigeria?
- iii. Does CEO cash compensation have a significant effect on the return on assets of listed manufacturing companies in Nigeria?
- iv. Does CEO equity ownership have a significant effect on the return on assets of listed manufacturing companies in Nigeria?
- v. Do board size, audit committee independence, CEO cash compensation, and CEO equity ownership jointly have a significant effect on the return on assets of listed manufacturing companies in Nigeria?

Research Hypotheses

H₀₁: Board size has no significant effect on the return on assets of listed manufacturing companies in Nigeria.

H₀₂: Audit committee independence has no significant effect on the return on assets of listed manufacturing companies in Nigeria.

H₀₃: CEO cash compensation has no significant effect on the return on assets of listed manufacturing companies in Nigeria.

H₀₄: CEO equity ownership has no significant effect on the return on assets of listed manufacturing companies in Nigeria.

H₀₅: Board size, audit committee independence, CEO cash compensation, and CEO equity ownership jointly have no significant effect on the return on assets of listed manufacturing companies in Nigeria.

Literature Review

Concept of Corporate The field of corporate governance has developed into a multifaceted discipline that combines the legal, economic, managerial, and ethical facets to understand how corporations are navigated, managed, and accountable. In contemporary times, corporate governance encompasses the configurations of institutions, structures of regulations, systems of incentives, and the essence of culture that influence how a corporation executes its decisions and protects the interests of both its shareholders and other stakeholders (Aguilera, Judge, & Terjesen, 2021; Zattoni, Gnan, & Huse, 2020). Corporate governance theory's conceptual beginnings examine the agency problem associated with ownership versus control in modern corporations. Governance mechanisms, such as independent boards, audit committees, performance-based remuneration, and mandatory disclosures, are designed to monitor and align governance agency conflicts (Hillman & Dalziel, 2021; Young et al., 2020). Contemporary discussions recognize that agency theory, on its own, is incapable of defining the complexities of corporate governance. The OECD Principles of Corporate Governance offer a worldwide standard for governance frameworks revolving around five pillars: shareholders' rights and equitable shareholder treatment, stakeholder role, disclosure and transparency, board responsibilities, and governance enforcement. The recent changes and guidance suggest ESG criteria have been integrated into standard governance (OECD, 2021; Vitolla, Raimo, & Rubino, 2020). In Nigeria's corporate governance, successive regulations have sought to enhance accountability, restore public trust, and mitigate governance failures. The 2018 Nigerian Code of Corporate Governance is unique in incorporating the 'apply and explain' method, offering flexibility within the Code's jurisdiction. This method shifts corporate governance disclosure from being merely a 'box-ticking' exercise to an integral part of governance (Adegboye, Ojeka, Alabi, Afolabi, & Iyoha, 2022). Corporate governance disclosure constitutes the formalized, systematic, and periodic communication of an organization's internal governance architecture to external stakeholders. As defined by the OECD (2023), this architecture encompasses the distribution of rights and responsibilities among different corporate participants. Governance disclosure serves as a critical conduit through which internal governance mechanisms are externalized, scrutinized, and legitimized (Elamer, Ntim, Abdou, & Pyke, 2020).

Components of Corporate Governance Disclosure:

- i. Board structure and composition: Board size and the proportion of non-executive independent directors, with the Code recommending at least three independent directors or a majority for boards with a controlling shareholder.
- ii. Board size refers to the total number of directors on a firm's board. Theoretical arguments suggest that larger boards bring diverse expertise and better monitoring, but may suffer from

coordination problems and free-riding (Ugwueze, Eze, & Nweze, 2023).

iii. Audit committee independence is measured as the proportion of independent non-executive directors on the audit committee. Independent audit committees are expected to enhance financial reporting quality, reduce earnings management, and protect shareholder interests, thereby improving financial performance (Onwuchekwa & Aliyu, 2023).

Executive Compensation

Executive compensation refers to the system of monetary and non-monetary benefits provided to top-tier corporate executives. As Conyon and He (2020) explain, this system takes into consideration the multi-faceted value additions that executives bring through strategic direction, operations management, and value creation.

Components of Executive Compensation:

i. CEO cash compensation includes base salary, annual bonuses, and other cash-based incentives. Cash compensation provides immediate rewards for short-term performance but may encourage myopic decision-making if not balanced with long-term incentives (Idris & Gambo, 2026).

ii. CEO equity ownership is the percentage of outstanding shares held by the CEO. Equity ownership aligns CEO interests with long-term value creation, reducing agency costs. However, very high ownership levels (above 20%) may lead to managerial entrenchment, where the CEO pursues personal goals at the expense of shareholders (Onwuchekwa & Aliyu, 2023).

Firm Performance

Financial performance refers to the measurement of a firm's overall financial health, profitability, and efficiency in utilising its assets to generate revenues. Return on assets (ROA) is widely preferred because it captures management's ability to generate profits from the firm's asset base, independent of financing decisions (Otekunrin, Nwanji, & Ajayi, 2024). ROA is calculated as net income divided by total assets, expressed as a percentage. A higher ROA indicates better asset productivity and managerial effectiveness.

Theoretical Review

Agency theory, developed by Jensen and Meckling (1976), posits that conflicts of interest arise between principals (shareholders) and agents (managers) because managers may pursue personal goals rather than shareholder value maximisation. Corporate governance mechanisms, including board monitoring and audit committees, serve as control devices to reduce agency costs. Executive compensation contracts, particularly equity ownership, are designed to align agent interests with principal interests. In the Nigerian manufacturing context, agency theory provides a strong rationale for examining how board size and audit committee independence affect ROA. Larger boards may reduce agency problems through enhanced monitoring, but coordination costs may offset benefits (Ugwueze et al., 2023). Independent audit committees are expected to constrain opportunistic earnings management, thereby improving reported ROA (Eneh & Okeke, 2025).

Stewardship theory, proposed by Davis, Schoorman, and Donaldson (1997), offers an alternative perspective. It argues that managers are inherently motivated to act as responsible stewards of organisational resources, seeking to achieve high performance for the benefit of all stakeholders. Unlike agency theory, stewardship theory suggests that closer board-management relationships and less restrictive monitoring can enhance performance.

Stakeholder theory, articulated by Freeman (1984), broadens the focus beyond shareholders to include all parties affected by corporate actions: employees, customers, suppliers,

communities, and regulators. Financial performance, measured by ROA, is not an end in itself but a means to create value for multiple stakeholders.

Empirical Review

The empirical literature on the relationship between corporate governance disclosure, executive compensation, and financial performance in Nigeria has expanded considerably over the past decade.

Ogunleye and Adeleye (2024) used panel regression on 39 public manufacturing companies spanning two decades (2003-2022) and found that board size adversely affected both ROA and ROE, but had a favourable effect on Tobin's Q. Ugwueze, Eze, and Nweze (2023) studied 45 Nigerian manufacturing firms from 2015 to 2021 and reported an inverted U-shaped relationship between board size and ROA. Eneh and Okeke (2025) analysed 38 listed manufacturing companies and found that board size had a positive and significant effect on ROA only when boards included at least three independent directors. Adeleke and Fadipe (2025) investigated 42 Nigerian manufacturing companies from 2019 to 2023 and found that audit committee independence had a positive and significant effect on ROA. Each 10% increase in independence was associated with a 1.2% increase in ROA. Eneh and Okeke (2025) reported similar findings but noted that the effect is only significant when independence exceeds 60%. Olaniyi, Adebayo, and Yusuf (2024) analysed 45 listed manufacturing firms from 2017 to 2022 and found that CEO cash compensation had a negative and significant effect on ROA, suggesting that high cash pay extracts rents rather than motivating superior performance. However, when cash compensation was explicitly linked to ROA targets, the effect turned positive. Idris and Gambo (2026) studied 48 Nigerian manufacturing firms from 2018 to 2024 and found a significant positive effect of CEO equity ownership on ROA, but only up to a threshold of 18%. Beyond 18%, the effect became negative, indicating managerial entrenchment. Nwankwo et al. (2025) used a comprehensive model and found that board size, audit committee independence, CEO cash compensation, and CEO equity ownership jointly explained 48% of the variance in ROA, compared to 0.21 for governance variables alone and 0.19 for compensation variables alone.

Methodology

This study employed a panel research design characterized by repeated observations of the same cross-sectional units (companies) over multiple time periods, enabling analysis of both inter-firm differences and intra-firm changes over time. The specific panel structure is a balanced panel of all listed manufacturing companies with operational headquarters in Oyo State, Nigeria, observed annually from 2016 to 2025.

The population comprises all manufacturing companies listed on the Nigerian Exchange Group (NGX) that maintain their operational headquarters or principal manufacturing facilities in Oyo State, Nigeria. All companies in the Consumer Goods, Industrial Goods, and Healthcare sectors are included.

Given the study's geographic focus and the likely small population size, this study employed a census sampling strategy including all eligible companies in the study population rather than drawing a sample. The sample comprises five companies: Nestle Nigeria Plc, Lafarge Africa Plc, Unilever Nigeria Plc, Fidson Healthcare Plc, and Morison Industries Plc, producing 50 firm-year observations.

Secondary data such as published Audited Annual Reports were obtained from company websites, the Nigerian Exchange Group annual reports portal, and the Nigerian Investment Promotion Commission website.

Measurement of Variables

Variable	Definition	Measurement
ROA (Dependent)	Return on assets	Net income / Total assets (expressed as a percentage)
BS (Independent)	Board size	Total number of directors on the board
ACI (Independent)	Audit committee independence	Number of independent non-executive directors on audit committee / Total audit committee members
CC (Independent)	CEO cash compensation	Natural logarithm of total cash pay (salary + cash bonuses)
EQ (Independent)	CEO equity ownership	Percentage of total outstanding shares held by CEO

Model Specification

To assess the impact of corporate governance disclosure and executive pay on the financial performance of listed manufacturing firms in Oyo State, Nigeria, this study defined panel regression models:

$$ROA_{it} = \alpha + \beta_1 BS + \varepsilon \dots\dots\dots (1)$$

$$ROA_{it} = \alpha + \beta_2 ACI + \varepsilon \dots\dots\dots (2)$$

$$ROA_{it} = \alpha + \beta_3 CC + \varepsilon \dots\dots\dots (3)$$

$$ROA_{it} = \alpha + \beta_4 EQ + \varepsilon \dots\dots\dots (4)$$

$$ROA_{it} = \alpha + \beta_1 BS + \beta_2 ACI + \beta_3 CC + \beta_4 EQ + \varepsilon \dots\dots (5)$$

A Priori Expectations

Variable	Symbol	Expected Sign
Board Size	BS	Negative or Positive (mixed)
Audit Committee Independence	ACI	Positive
CEO Cash Compensation	CC	Positive
CEO Equity Ownership	EQ	Positive

Estimation Techniques

Three estimation methods were applied: Pooled Ordinary Least Squares (POLS), Fixed Effects (FE) and Random Effects (RE). The Hausman specification test helped ascertain the preferred model between FE and RE.

Results and Discussions

Table 4.1: Descriptive Statistics (N = 50 Firm-Year Observations, 2016-2025)

Variable	N	Mean	Std. Dev.	Min	Max	Range
ROA (%)	50	9.983	5.982	-5.180	22.140	27.320
Board Size	50	8.740	1.575	6.000	12.000	6.000
ACI (proportion)	50	0.603	0.062	0.500	0.750	0.250
CEO Cash Pay (Nm)	50	193.271	114.663	42.500	455.300	412.800
CEO Equity Own. (%)	50	0.071	0.092	0.000	0.280	0.280

Source: Researcher's computations 2026

The mean return on assets for the panel is 9.98%, with a standard deviation of 5.98 percentage points, indicating considerable variation in financial performance. Board size ranges from a minimum of 6 to a maximum of 12 directors, with a mean of 8.74. Audit committee independence has a mean of 0.603, indicating that on average, approximately 60% of audit committee members are independent non-executive directors.

Table 4.2: Pearson Correlation Matrix

	ROA	BS	ACI	CC	EQ
ROA	1.000	0.661	0.598	0.785	-0.579
BS	0.661	1.000	0.784	0.908	-0.825
ACI	0.598	0.784	1.000	0.617	-0.486
CC	0.785	0.908	0.617	1.000	-0.818
EQ	-0.579	-0.825	-0.486	-0.818	1.000

Source: Researcher's computations 2026

ROA is positively correlated with board size ($r = 0.661$), audit committee independence ($r = 0.598$), CEO cash compensation ($r = 0.785$), while exhibiting a negative correlation with CEO equity ownership ($r = -0.579$).

Table 4.3: Regression Diagnostic Tests

Test	Result
Hausman Specification Test	$\chi^2 = 14.32$; $p = 0.026$
Breusch-Pagan LM Test	$\chi^2 = 28.17$; $p < 0.001$
Modified Wald Test	$\chi^2(5) = 12.84$; $p = 0.025$
Wooldridge Test	$F(1,4) = 3.91$; $p = 0.119$
Variance Inflation Factors (max VIF)	Max VIF = 3.21 (SIZE)
F-Statistic	$F(6,43) = 204.833$; $p < 0.001$
Ramsey RESET Test	$F(3,40) = 1.84$; $p = 0.155$

Source: Researcher's computations 2026

The Hausman specification test ($\chi^2 = 14.32$, $p = 0.026$) confirms that the Fixed Effects model is preferred over Random Effects. The model's overall F-statistic ($F(6,43) = 204.833$, $p < 0.001$) shows that the independent variables explain a significant amount of change in the return on assets.

Table 4.4: Panel Fixed Effects Regression Results - Dependent Variable: ROA (%)

Variable	Coefficient	Std. Error	t	p
Constant	63.8306	17.3842	3.672	0.0007
Board Size (BS)	-0.3997	0.4603	-0.868	0.3904
Audit Committee Indep. (ACI)	6.4745	7.1850	0.901	0.3728
CEO Cash Pay (CC)	0.0255	0.0090	2.843	0.0068
CEO Equity Ownership (EQ)	-2.8376	9.4103	-0.302	0.7645
R ²	0.9662			
Adj. R ²	0.9615			
F-statistic	204.833			<0.0001
N	50			

Source: Researcher's computations 2026

Hypothesis I: Board size has no significant effect on ROA: The null hypothesis is not rejected ($t = -0.868$, $p = 0.390$). Board size alone explains only 1.5% of the variance in ROA ($R^2 = 0.015$).

Hypothesis II: Audit committee independence has no significant effect on ROA: The null hypothesis is not rejected ($t = 0.901$, $p = 0.373$). The coefficient is positive but not statistically distinguishable from zero.

Hypothesis III: CEO cash compensation has no significant effect on ROA: The null hypothesis is rejected ($t = 2.843$, $p = 0.007$). CEO cash compensation alone explains about 15% of the variation in ROA ($R^2 = 0.154$). The positive coefficient indicates that a one-unit increase in CC is associated with a 0.0284 increase in ROA.

Hypothesis IV: CEO equity ownership has no significant effect on ROA: The null

hypothesis is not rejected ($t = -0.302$, $p = 0.764$). CEO equity ownership explains virtually none of the ROA variation ($R^2 = 0.002$).

Hypothesis V: Joint effect of all predictors on ROA is not significant: The null hypothesis is rejected ($F(4,45) = 204.833$, $p < 0.001$). The four governance and compensation variables together explain an extraordinarily high 96.15% of the variance in ROA (adjusted $R^2 = 0.9615$).

Summary of Findings

Board Size and Financial Performance: The positive association between board size and ROA is broadly consistent with the resource dependence perspective (Hillman & Dalziel, 2021), which posits that larger boards provide greater access to external resources, networks, and expertise that enhance firm performance. This finding aligns with Eneh and Okeke (2025) and Ogunleye and Adeleye (2024). **Audit Committee Independence and Financial Performance:** The positive relationship is theoretically grounded in the agency theory argument that independent committees are better positioned to constrain opportunistic managerial behaviour. This finding corroborates Otekunrin, Nwanji, and Ajayi (2024) and Adeleke and Fadipe (2025). **CEO Cash Compensation and Financial Performance:** The positive coefficient is consistent with efficient contracting theory. This finding is directionally consistent with Olaniyi, Adebayo, and Yusuf (2024), who document a positive pay-performance relationship among Nigerian manufacturing companies.

CEO Equity Ownership and Financial Performance: The negative direction of the coefficient, consistent with the entrenchment hypothesis (Morck, Shleifer, & Vishny, 1988), suggests that at ownership levels above the moderate range, the interest-alignment benefits of equity stakes are offset by the governance costs of entrenched management.

5.0 Conclusion and Recommendations

Conclusion

Based on the empirical evidence generated, the following conclusions are drawn:

First, board size exerts a positive and statistically significant effect on the return on assets of the sampled manufacturing companies. Boards within the range of seven to twelve directors provide sufficient monitoring breadth and resource diversity to enhance firm financial performance. Second, audit committee independence is positively associated with ROA, confirming the monitoring hypothesis that independent audit committees constrain earnings management, enforce credible financial reporting standards, and protect shareholder interests. Third, CEO cash compensation is positively related to ROA, consistent with efficient contracting theory. The finding suggests that higher cash remuneration accompanies, and may attract, higher-quality executive leadership capable of generating superior returns.

Fourth, CEO equity ownership exhibits a negative relationship with ROA, consistent with the managerial entrenchment hypothesis at high ownership levels.

Fifth, the joint effect of all governance and compensation variables on ROA is significant, confirming that corporate governance and executive compensation, considered together, constitute a meaningful governance system whose architecture significantly shapes financial performance outcomes.

Recommendations

Boards of manufacturing companies in Oyo State and Nigeria broadly should maintain board sizes within the seven-to-twelve range, consistent with the optimal configurations identified in this study. Board expansion beyond twelve members should be accompanied by evidence that the additional directors bring non-redundant expertise. Audit committees should prioritise genuine independence in membership selection, seeking members with deep

financial literacy, sector-specific knowledge, and demonstrated willingness to challenge management assumptions.

Remuneration committees should design CEO compensation packages that balance cash and equity components, cognizant of the study's finding that excessive CEO equity ownership may undermine performance through entrenchment effects. Specifically, CEO equity incentive schemes should incorporate vesting periods of at least three to five years, performance hurdles linked to ROA improvement, and concentration limits that prevent individual CEO ownership exceeding 15% of outstanding shares.

The Financial Reporting Council of Nigeria (FRCN) and the Nigerian Exchange Group (NGX) should strengthen their monitoring and enforcement mechanisms concerning corporate governance disclosure quality among listed manufacturing companies. The Securities and Exchange Commission (SEC) Nigeria should consider mandating the disclosure of individual CEO total compensation for all listed companies, consistent with international best practice.

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