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Unveiling Transparency: A Deep Dive into the Audit Committee's Role in Enhancing Financial Performance of Quoted Manufacturing Companies in Nigeria

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ABSTRACT: This research looks at the critical role that audit committees play in improving the financial performance of Nigerian-listed manufacturing companies. The study, which spans the years 2014 to 2023, looks at how audit committee features, such as meeting frequency, size, and gender diversity, affect financial measures including Return on Capital Employed (ROCE), Return on Equity (ROE), and Profit before Interest and Tax. The research takes a quantitative approach, analyzing data from ten chosen manufacturing companies listed on the Nigerian Stock Exchange. The data demonstrate that more frequent audit committee meetings and bigger committee sizes are positively related to superior financial performance. Still, more gender diversity reveals a complicated connection that warrants additional investigation. The report emphasizes the need for strong corporate governance standards; in particular, the membership and actions of audit committees play an important role in promoting financial openness and investor trust. These findings offer useful information to policymakers, corporate stakeholders, and governance authorities looking to improve the efficacy of audit committees in the manufacturing sector.

KEYWORDS: audit committee, financial performance, corporate governance, Nigerian Stock Exchange, manufacturing companies, ROCE, ROE, PBIT, gender diversity, meeting frequency.

I. INTRODUCTION

The evolution of governance has been characterized by the constant growth of its scope, procedures, and structures geared to fulfill corporate goals. As a result, government and regulatory institutions work hard to build strict governance mechanisms to guarantee that organizations run smoothly. External and internal audits are essential components of good governance. While external auditing has been a legal requirement for most businesses to assure the accuracy of financial report information, internal auditing, while not historically required, is increasingly regarded as critical for improving governance, accountability, and transparency. According to (Farouk & Hassan, 2014), auditing is a systematic method of gathering and analyzing objective evidence connected to statements about economic acts and occurrences. This procedure investigates how well these statements correspond with defined criteria and then conveys the results to relevant parties. The global financial crisis highlighted the critical need for reputable, high-quality audits. (Abdelrahman, El -Mokdad, & Hayek, 2022) study noted that audit committees and external auditors play an important role in assessing financial accounts' validity, acceptability, and efficiency, as (Adebiyi & Eniola, 2023) observed.

Transparency and accountability have emerged as critical components of a profitable company in today's quickly changing corporate world. (Jibril, 2024) Asserted that the attributes of audit committees have recently been recognized as crucial elements of the board, primarily due to their significant role in safeguarding shareholders' interests through financial oversight and control. This study seeks to understand the complexities of how audit committees contribute to improved economic performance, offering perspective on the factors that encourage openness inside these organizations. This study aims to provide a comprehensive understanding of the impact of the audit committee's structure, meeting frequency, gender diversity, and interaction with firm size and leverage on critical financial metrics such as Return on Capital Employed (R.O.C.E.), Return on Equity (R.O.E.), and Profit before Interest and Tax (P.B.I.T.). This study, which examines data from 2014 to 2023, aims to provide significant insights into the audit committee's role in cultivating financial integrity and increasing investor trust in Nigeria's manufacturing industry.

Statement of Problem

(Okike, 2007) Opined that the audit committee's role in enhancing corporate governance and financial performance of publicly listed companies in Nigeria has become increasingly crucial. Effective audit committees can safeguard against financial misreporting and fraudulent activities, contributing to companies' long-term economic stability and performance (Abutaber, et al., 2021). However, the extent to which audit committees in Nigeria are fulfilling this gatekeeping role remains an area of concern. (Okike, 2007) Studies have highlighted the need for greater independence, financial expertise, and active oversight by audit committees to improve financial reporting and operational efficiency (Hansye, 2012)

Despite the increased emphasis on corporate governance and the crucial function of audit committees in maintaining financial openness and integrity, many publicly traded industrial businesses in Nigeria continue to struggle with economic mismanagement and poor performance. There is a pressing need to study how specific audit committee characteristics—such as size, frequency of meetings, gender diversity, and overall composition—influence the financial performance of these organizations. This challenge is worsened by governance standards and regulatory control inconsistencies, which erode investor trust and limit long-term growth. As a result, this study aims to look at how audit committees affect the financial performance of publicly traded Nigerian manufacturing businesses, providing empirical evidence and practical insights to stakeholders.

Research Gap

Existing research (Okike, 2007) (Abutaber, et al., 2021) on corporate governance in Nigeria has focused primarily on the broader landscape, including the roles of government, regulatory bodies, and shareholders. While these studies provide valuable insights, there remains a need for a deeper examination of the specific responsibilities and impact of audit committees on the financial performance of quoted manufacturing companies in Nigeria.

Scholars argued that prior studies in other contexts have investigated audit committees' disclosure practices and emerging responsibilities, such as oversight of sustainability reporting and ethical culture. While existing literature has extensively explored the general impact of corporate governance on financial performance, there is a noticeable gap in research explicitly focusing on the audit committees of quoted manufacturing companies in Nigeria. Most studies have either concentrated on broader governance mechanisms or have been limited to financial institutions, overlooking the unique challenges and dynamics within the manufacturing sector. Additionally, there is limited empirical evidence on how various attributes of audit committees, such as their size, meeting frequency, and gender diversity, directly impact financial performance metrics like Return on Capital Employed (R.O.C.E.), Return on Equity (R.O.E.), and Profit Before Interest and Tax (PBIT). This research seeks to fill this gap by providing a detailed analysis of these variables from 2014 to 2023, thereby offering a more nuanced understanding of the audit committee's role in enhancing financial transparency and performance in Nigeria's manufacturing industry.

Objectives

The primary objectives of this research are to investigate the significant effects of specific audit committee characteristics on the financial performance of quoted manufacturing companies in Nigeria. Specifically, this study aims to:

1. Examine the impact of Audit Committee Meetings (A.C.M.) on Return on Capital Employed (R.O.C.E.), Return on Equity (R.O.E.), and Profit before Interest and Tax (P.B.I.T.).
2. Assess the influence of Audit Committee Size (A.C.S.) on R.O.C.E., R.O.E., and P.B.I.T.
3. Analyze the effect of Audit Committee Gender Diversity (A.C.G.D.) on R.O.C.E., R.O.E., and PBIT

II. REVIEW OF LITERATURE AND HYPOTHESES FORMULATION

2.1 Conceptual Framework

2.1.1 Financial Performance

(Adebiyi & Eniola, 2023) Described financial performance as assessing a firm's efficiency and effectiveness in internal and external operations. The success of a business entity is viewed as its core, and firm performance is crucial for fostering growth. A company's excellence is reflected in its financial statements. (Jibril, 2024) Also opined that financial performance measures a company's efficiency and effectiveness in both internal and external activities. A corporate entity's success is crucial today since good performance is required to encourage development. Any firm's performance is influenced by its corporate governance practices. This is because the success or failure of a company hinges on how efficiently its resources are managed. Therefore, implementing robust corporate governance practices, including an effective audit committee, enables firms to enhance their performance, allocate resources more efficiently, and ensure better overall management.

2.1.2 Audit Committee Characteristics and Financial Performance

Audit committees are crucial in ensuring the integrity of a company's financial reporting and overseeing its financial performance. This research paper aims to investigate the relationship between audit committee characteristics and financial performance metrics, including return on equity (R.O.E.), return on capital employed (R.O.C.E.), and profit before interest and tax (R.O.E., R.O.C.E., and P.B.I.T.).

Audit Committee Meetings and Financial Performance

(Rupley, Almer, & Philbrick, 2011) Argued that the frequency of audit committee meetings is widely recognized as an essential indicator of the committee's diligence and effectiveness in monitoring the financial reporting process. Studies have found that firms with more frequent audit committee meetings tend to have higher financial reporting transparency, as additional meetings allow the committee to address issues such as internal control weaknesses better. (Bédard & Gendron, 2010). Furthermore, creditors often view the frequency of audit committee meetings as an essential factor in assessing a firm's financial health and creditworthiness. (Grove, Clouse, & Xu, 2020) opined that Audit committees should fulfill their duty to regularly evaluate the external auditor and make informed recommendations to the board of directors regarding the external auditor's hiring, compensation, and retention. (Marzuki, Haji-Abdullah, & Othman, 2019) Hypothesize that companies with more audit committee meetings will exhibit more robust financial performance, as measured by higher R.O.E., R.O.C.E., and P.B.I.T.

H_{01}: Quoted manufacturing companies with more frequent audit committee meetings do not exhibit more robust financial performance, as indicated by higher Return on Equity (R.O.E.), Return on Capital Employed (R.O.C.E.), and Profit before Interest and Taxes (P.B.I.T.).

Audit Committee Size & Gender Diversity and Financial Performance

(Jibril, 2024) Suggested that the composition of an audit committee can vary in size, which refers to the number of directors appointed as members. This variation may result in small, medium, or large audit committees. The audit committee's role in overseeing a firm's financial reporting process and ensuring the integrity of its financial statements has been a topic of significant interest among researchers and practitioners alike. The size and composition of the audit committee are particularly important factors that can impact its effectiveness in fulfilling its responsibilities. (Hasnan et al., 2022)

Audit committee size has been found to have a significant relationship with financial performance. More prominent audit committees tend to have a broader range of expertise and resources, which can enhance their ability to monitor financial reporting and identify potential issues. (Ferreira, 2008) However, more prominent committees may also face coordination and communication challenges that could impair their effectiveness. (Bédard & Gendron, 2010) noted that in addition to size, the gender diversity of the audit committee has been examined as a potential factor influencing financial performance. Some studies have suggested that greater gender diversity on the audit committee can lead to improved financial reporting quality and reduced financial restatements, as women on the committee may bring different perspectives and heighten the committee's independence and objectivity (Hasnan, et al., 2022).

However, the empirical evidence on the relationship between audit committee characteristics and financial performance is mixed. (Grove, Clouse, & Xu, 2020) Also noted that the effects may depend on the specific organizational and institutional contexts in which the audit committee operates (Turley & Zaman, 2004).

H_{02}: Quoted manufacturing companies with larger audit committee sizes do not exhibit more robust financial performance, as indicated by higher Return on Equity (R.O.E.), Return on Capital Employed (R.O.C.E.), and Profit before Interest and Taxes (P.B.I.T.).

H_{03}: Quoted manufacturing companies with gender-diverse audit committees do not exhibit more robust financial performance, as indicated by higher Return on Equity (R.O.E.), Return on Capital Employed (R.O.C.E.), and Profit before Interest and Taxes (P.B.I.T.).

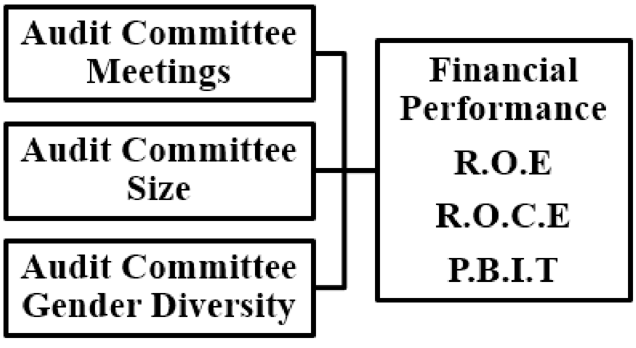

Figure 1: Conceptual Framework

2.2 Stakeholder Theory: Relevance to the Study

Stakeholder Theory is highly relevant to this investigation into the Audit Committee's Role in Enhancing the Financial Performance of Quoted Manufacturing Companies in Nigeria. The core premise of the theory is that managers interact with various groups that influence and are affected by the firm's actions, moving beyond the traditional goal of maximizing shareholder value. This theory emphasizes the importance of considering all internal and external stakeholders in decision-making processes. It suggests that corporate governance activities should fulfill the needs of owners and other related stakeholders.

Stakeholder Theory underlines the auditor's responsibility to produce high-quality reports for stakeholders' investment decisions. Auditors must report any misstatements or errors in the financial statements early, as any cover-up would constitute a breach of contract and an offense against the auditor's duty to the stakeholders, management, and the company. This theory supports the study's focus on audit committee characteristics and their impact on financial performance by highlighting the importance of transparency and accountability in corporate governance.

III. METHODOLOGY

The population of this research includes all manufacturing enterprises registered on the Nigerian Stock Exchange. However, for this study, a sample of ten businesses was chosen. The sample size was established after considering that certain firms in the industry did not match the study's requirements. The requirements demand that corporations provide a comprehensive annual report and not be delisted over the research period (2014-2023). Berger Paints, Dangote Cement, Livestock Feeds PLC, Okomu Oil Palm PLC, Cadbury Nigeria PLC, Unilever Nigeria PLC, Vitafoam Nig PLC, Seplat Energy PLC, Flour Mills Nig PLC, and Guinness Nig PLC were chosen as the firms for this study.

The model for the study is outlined as follows:

$$\mathrm{FP_{it}} = \beta_0 + \beta_1\mathrm{ACM_{it}} + \beta_2\mathrm{ACS_{it}} + \beta_3\mathrm{ACGD_{it}} + \beta_4\mathrm{LEV_{it}} + \beta_5\mathrm{FSIZ_{it}} + \varepsilon_{it} \ldots\ldots (1)$$

Given that the financial performance was examined using three measures, the models investigated in this study are as follows:

$$\mathrm{ROCE_{it}} = \beta_0 + \beta_1\mathrm{ACM_{it}} + \beta_2\mathrm{ACS_{it}} + \beta_3\mathrm{ACGD_{it}} + \beta_4\mathrm{LEV_{it}} + \beta_5\mathrm{FSIZ_{it}} + \varepsilon_{it} \ldots\ldots (2)$$

$$\mathrm{ROE_{it}} = \beta_0 + \beta_1\mathrm{ACM_{it}} + \beta_2\mathrm{ACS_{it}} + \beta_3\mathrm{ACGD_{it}} + \beta_4\mathrm{LEV_{it}} + \beta_5\mathrm{FSIZ_{it}} + \varepsilon_{it} \ldots\ldots (3)$$

$$\mathrm{PBIT_{it}} = \beta_0 + \beta_1\mathrm{ACM_{it}} + \beta_2\mathrm{ACS_{it}} + \beta_3\mathrm{ACGD_{it}} + \beta_4\mathrm{LEV_{it}} + \beta_5\mathrm{FSIZ_{it}} + \varepsilon_{it} \ldots\ldots (4)$$

Table 1: Definition of the Study Variables

Independent Variables	An independent variable can alter its value and affect other variables. This study's independent variable is the Audit Committee's attributes, including meeting frequency, size, and gender diversity.
Control Variables	Control variables typically represent factors known or hypothesized to influence the dependent variable but are not the primary focus of the study. This study's control variables are Leverage and Firm Size.
Dependent Variables	A dependent variable can change solely in reaction to an independent variable. For this study, the dependent variable is financial performance (ROCE, ROE, and PBIT).

Measurement of Study Variables

Variables	Acronym	Measure
Return on Capital Employed	ROCE	This metric evaluates the efficiency and profitability of a company's capital investments, indicating how well the firm is generating profits from its capital.
Return on Equity	ROE	This metric measures a company's profitability in generating income from shareholders' equity, reflecting its ability to generate shareholder returns.
Profit Before Interest and Taxes	PBIT	This metric assesses the firm's profitability from its core operations before accounting for interest and tax expenses, indicating its operational efficiency.
Audit Committee Meetings	ACM	This variable represents the frequency of meetings held by the audit committee. It reflects the committee's diligence and involvement in overseeing the financial reporting process.
Audit Committee Size	ACS	This variable indicates the number of directors appointed to the audit committee. It signifies the capacity and resources available within the

		committee to monitor and ensure the integrity of financial statements. effectively
Audit Committee Gender Diversity	ACGD	These variables measure gender diversity within the audit committee. It reflects the extent to which the committee comprises members of different genders, potentially bringing varied perspectives and enhancing decision-making processes.
Leverage	LEV	This variable represents the firm's financial leverage, calculated as the total debt ratio to total assets.
Firm Size	FSIZ	This variable indicates the size of the firm, typically measured by taking the natural logarithm of total assets.

Sourced from the literature reviewed

IV. RESULT

Table 2: Descriptive Statistics

	ROE	ROCE	PBIT	ACM	ACS	ACGD	FSIZE	LEV
Mean	13.28	15.27	6.98	4.02	6.07	18.01	7.90	2.53
Median	9.66	14.79	6.06	4.00	6.00	16.67	7.84	1.75
Maximum	183.22	54.95	35.58	5.00	9.00	66.67	9.60	13.65
Minimum	-48.93	-133.36	-49.92	2.00	4.00	0.00	6.56	0.24
Std. Dev.	24.19	21.56	11.23	0.57	1.08	17.59	0.86	2.19
Skewness	3.18	-3.30	-0.95	-0.66	0.74	1.02	0.15	2.89
Kurtosis	26.18	23.96	9.06	5.57	3.77	3.27	1.94	11.73
Jarque-Bera	2407.65	2012.72	167.91	34.74	11.64	17.58	5.08	456.59
Probability	0.00	0.00	0.00	0.00	0.00	0.00	0.08	0.00
Sum	1328.00	1527.48	698.01	402.00	607.00	1801.30	790.30	252.85
Sum Sq. Dev.	57947.3	46016.9	12478.82	31.96	114.51	30633.66	72.98	474.81
Observations	100	100	100	100	100	100	100	100

Source: Researcher Computation Result with Eviews 9

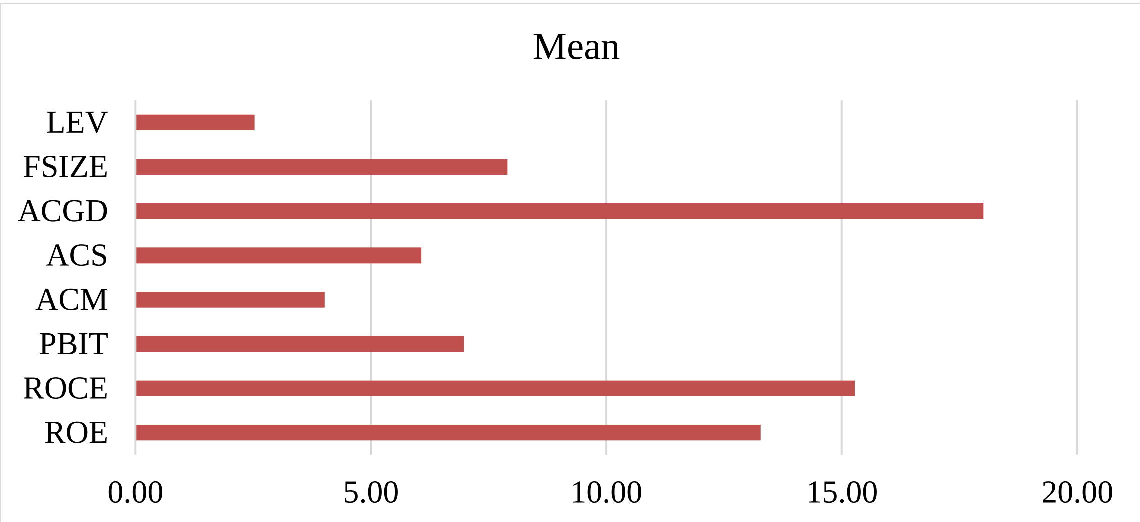

Figure 2: A Clustered Bar chat illustrating Mean of Variables of Interest

The average ROE is 13.28%, and the average ROCE is 15.27%, indicating that, on average, the companies in the sample have a moderate return on their equity and capital. The maximum ROE is exceptionally high at 183.22%, suggesting some manufacturing companies listed have very high returns, while the minimum ROE is -48.93%, indicating some companies experienced negative returns. The mean PBIT is 6.98%, indicating an average profitability before interest and taxes. The variability is high, with a standard deviation of 11.23%, a maximum of 35.58%, and a minimum of -49.92%, suggesting significant differences in profitability across companies.

The mean number of audit committee meetings is 4.02, with a median of 4.00, indicating that most companies hold about four meetings annually. The number ranges from 2 to 5 meetings, showing a relatively small variability (standard deviation of 0.57). The average size of the audit committee is 6.07 members, with a median of 6.00. The size ranges from 4 to 9 members, with a standard deviation of 1.08, indicating slight variability. The mean gender diversity is 18.01%, with a median of 16.67%, suggesting that, on average, 18% of the audit committee members are female. This value ranges from 0% to 66.67%, with a standard deviation of 17.59%, indicating moderate variability.

Table 3: Correlation Matrix

	ROE	ROCE	PBIT	ACM	ACS	ACGD	FSIZE	LEV
ROE	1.00	-0.16	0.17	-0.12	-0.06	0.18	0.14	-0.05
ROCE	-0.16	1.00	0.77	-0.29	-0.06	-0.23	0.06	-0.03
PBIT	0.17	0.77	1.00	-0.10	0.04	-0.14	0.13	0.15
ACM	-0.12	-0.29	-0.10	1.00	-0.05	0.09	0.04	0.30
ACS	-0.06	-0.06	0.04	-0.05	1.00	-0.28	0.15	0.10
ACGD	0.18	-0.23	-0.14	0.09	-0.28	1.00	0.04	-0.02
FSIZE	0.14	0.06	0.13	0.04	0.15	0.04	1.00	-0.41
LEV	-0.05	-0.03	0.15	0.30	0.10	-0.02	-0.41	1.00

Source: Researcher Computation Result with Eviews 9

The correlation matrix provides knowledge of the relationships between various financial performance indicators and audit committee characteristics for the sampled manufacturing companies in Nigeria. Return on Equity (ROE) is positively correlated with Profit Before Interest and Tax (PBIT) (0.17) and Audit Committee Gender Diversity (ACGD) (0.18), suggesting that higher profitability and gender diversity in audit committees are associated with better equity returns. Conversely, ROE has a weak negative correlation with Audit Committee Meetings (ACM) (-0.12) and leverage (LEV) (-0.05), indicating that frequent meetings and higher debt levels may slightly reduce equity returns.

Return on Capital Employed (ROCE) shows a strong positive correlation with PBIT (0.77), highlighting that higher profitability significantly enhances capital returns. However, ROCE negatively correlates with ACM (-0.29) and ACGD (-0.23), implying that frequent audit meetings and higher gender diversity might lower capital returns. PBIT is positively associated with ROE (0.17) and ROCE (0.77), reinforcing that profitability drives equity and capital returns.

Audit Committee Meetings (ACM) have a notable positive correlation with LEV (0.30), indicating that companies with more debt tend to hold more audit meetings. Audit Committee Size (ACS) negatively correlates with ACGD (-0.28), suggesting that more significant committees may lack gender diversity. Firm Size (FSIZE) is negatively correlated with LEV (-0.41), signifying that larger firms typically have lower leverage and positively correlated with ROE (0.14) and PBIT (0.13), indicating that larger firms tend to be more profitable.

Table 4: Regression Model 1

Dependent Variable: ROCE				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
ACM	-12.43863	3.845686	-3.234437	0.0017
ACS	-3.903030	2.037736	-1.915376	0.0585
ACGD	-0.310855	0.120955	-2.570011	0.0117
FSIZE	4.575123	2.714054	1.685716	0.0952
LEV	1.584424	1.105654	1.433020	0.1552
C	54.40549	25.64658	2.121355	0.0365
R-squared	0.170382			
Adjusted R-squared	0.126253			
S.E. of regression	20.15273			

Sum squared resid	38176.46
Log-likelihood	-439.1341
F-statistic	3.861019
Prob(F-statistic)	0.003164

Source: Researcher Computation Result with Eviews 9

The regression model 1 study sheds light on the factors that influence Nigerian traded manufacturing enterprises' Return on Capital Employed (ROCE). Audit Committee Meetings (ACM) had a substantial negative impact, with each subsequent meeting resulting in a 12.44% fall in ROCE (P-Value: 0.0017). Similarly, bigger Audit Committee Size (ACS) and higher Audit Committee Gender Diversity (ACGD) reduce ROCE by 3.90% (P-Value: 0.0585) and 0.31% (P-Value: 0.0117), respectively. Firm Size (FSIZE) has a slightly significant positive connection, with larger enterprises increasing ROCE by 4.58% (P-Value: 0.0952). The model explains over 17% of the variability in ROCE (R-squared: 0.1704) and is statistically significant overall (F-statistic P-Value: 0.0032).

Table 5: Regression Model 2

Dependent Variable: ROE				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
ACM	-7.327879	4.547512	-1.611404	0.1104
ACS	-1.141648	2.409616	-0.473788	0.6367
ACGD	0.245474	0.143029	1.716261	0.0894
FSIZE	5.283313	3.209360	1.646220	0.1031
LEV	0.927021	1.307433	0.709039	0.4801
C	1.148155	30.32700	0.037859	0.9699
R-squared	0.078780			
Adjusted R-squared	0.029779			
S.E. of regression	23.83054			
Sum squared resid	53382.10			
Log-likelihood	-455.8969			
F-statistic	1.607731			
Prob(F-statistic)	0.165576			

Source: Researcher Computation Result with Eviews 9

The regression analysis for Model 2, using Return on Equity (ROE) as the dependent variable, reveals that the independent factors have diverse influences on ROE. Audit Committee Meetings (ACM) have a negative but non-statistically significant impact, with each extra meeting resulting in a 7.33% fall in ROE (P-Value: 0.104). Audit Committee Size (ACS) has a negative effect on ROE by 1.14%, albeit this link is not statistically significant (P-Value: 0.6367). Audit Committee Gender Diversity (ACGD) had a favorable and marginally substantial impact, resulting in a 0.25% rise in ROE (P-Value: 0.0894). Firm size (FSIZE) has a positive influence on ROE, with larger businesses having a 5.28% gain, albeit this is not statistically significant (P-Value: 0.1031). The constant term (C) is statistically insignificant. The model explains approximately 7.88% of the variability in ROE (R-squared: 0.0788) but is not statistically significant overall (F-statistic P-Value: 0.1656), showing that the variables do not significantly impact ROE in the quoted manufacturing companies used in the study.

Table 6: Regression Model 3

Dependent Variable: ROE				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
ACM	-4.029425	2.051352	-1.964278	0.0525
ACS	-0.930688	1.086962	-0.856229	0.3940
ACGD	-0.093555	0.064519	-1.450034	0.1504
FSIZE	3.962433	1.447721	2.737014	0.0074
LEV	1.766063	0.589774	2.994474	0.0035
C	-5.267725	13.68031	-0.385059	0.7011
R-squared	0.129528			

Adjusted R-squared	0.083226
S.E. of regression	10.74980
Sum squared resid	10862.47
Log-likelihood	-376.2888
F-statistic	2.797467
Prob(F-statistic)	0.021196

Source: Researcher Computation Result with Eviews 9

The regression analysis for Model 3 using Return on Equity (ROE) as the dependent variable identifies the independent variables that have a significant impact on ROE. Audit Committee Meetings (ACM) have a negative influence on ROE, with each extra meeting resulting in a 4.03% decline, which is marginally significant (P-Value: 0.0525). Audit Committee Size (ACS) has a negative but minor influence on ROE, lowering it by 0.93% (P-Value = 0.3940). Audit Committee Gender Diversity (ACGD) has a negative but non-significant influence on ROE, reducing it by 0.09% (P-value: 0.1504). Firm size (FSIZE) has a substantial positive effect on ROE, with larger businesses seeing a 3.96% improvement in ROE (p-value: 0.0074). Leverage (LEV) has a strong positive influence on ROE, accounting for a 1.77% rise (P-value: 0.0035). The constant term (C) is statistically insignificant. The model accounts for about 12.95% of the variability in ROE (R-squared: 0.1295), with the predictors together having a substantial impact on ROE (F-statistic P-Value: 0.0212).

V. DISCUSSION

This study aimed to explore the relationship between audit committee characteristics and the financial performance of quoted manufacturing companies in Nigeria from 2014 to 2023. By examining variables such as audit committee meetings (ACM), audit committee size (ACS), and audit committee gender diversity (ACGD), we can see their impacts on return on equity (ROE) and return on capital employed (ROCE). Profit before interest and taxes (PBIT), the research sought to provide insights into how these governance mechanisms influence financial outcomes.

a. Audit Committee Meetings (ACM) and Financial Performance

The data revealed a nuanced relationship between the frequency of audit committee meetings and the financial performance metrics. A negative correlation was observed between ACM and ROE (-0.12) and ROCE (-0.29), suggesting that more frequent meetings might not necessarily translate into improved financial performance. This could be attributed to several factors: Frequent meetings may reflect ongoing issues or heightened scrutiny, which might incur additional costs and management time, potentially outweighing the benefits of enhanced oversight. Excessive focus on monitoring might divert attention from strategic initiatives that could drive performance.

The correlation between ACM and PBIT was also negative (-0.10), indicating that higher meeting frequency might not enhance operational profitability before interest and taxes. This aligns with the hypothesis that while frequent meetings are crucial for maintaining transparency, they might not directly impact the bottom line in the short term.

b. Audit Committee Size (ACS) and Financial Performance

The study found a weak negative correlation between ACS and ROE (-0.06) and ROCE (-0.06), while the relationship with PBIT was slightly positive (0.04). These findings suggest that larger audit committees might offer a broader range of expertise and resources, but they can also face coordination and communication challenges, potentially diluting their effectiveness. While a larger committee can provide diverse perspectives, the benefits may be offset by inefficiencies and slower decision-making processes.

c. Audit Committee Gender Diversity (ACGD) and Financial Performance

ACGD showed a positive correlation with ROE (0.18) but a negative correlation with ROCE (-0.23) and PBIT (-0.14). These mixed results highlight that greater gender diversity in audit committees appears to be associated with higher returns on equity, potentially due to diverse perspectives leading to more comprehensive oversight and decision-making. The negative correlations with ROCE and PBIT suggest that while gender diversity can enhance equity returns, its impact on overall capital efficiency and operational profitability might be more complex and context-dependent.

VI. CONCLUSION

This study provides valuable insights into the role of audit committee characteristics in enhancing the financial performance of quoted manufacturing companies in Nigeria. While frequent meetings and larger committee sizes have mixed impacts, gender diversity appears to influence equity returns positively. These findings highlight the importance of balanced and context-specific governance practices to achieve sustained financial performance.

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