



# Board Configuration and Financial Report Credibility: Evidence from Nigeria's Quoted Manufacturing Firms

Baanu O. B.<sup>1\*</sup>, Ajayi A. S.<sup>2</sup>, Adeniyi A. O.<sup>3</sup> & Baanu M. F.<sup>4</sup>

<sup>1,2,3,4</sup>Department of Accountancy Oyo State College of Agriculture and Technology, Igboora, Nigeria

DOI:10.5281/zenodo.19649296

## ARTICLE INFO

### Article history:

Received : 02-03-2026

Accepted : 11-03-2026

Available online : 19-04-2026

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**Citation:** Baanu O. B., Ajayi A. S., Adeniyi A. O. & Baanu M F. (2025). Board Configuration and Financial Report Credibility: Evidence from Nigeria's Quoted Manufacturing Firms. *IKR Journal of Economics, Business and Management (IKRJEBM)*, 1(3), 15-17.



## ABSTRACT

## Original Research Article

This study investigates the effect of board configuration on financial report credibility among quoted manufacturing firms in Nigeria. Board configuration is conceptualized as a multidimensional construct comprising board size, board independence, audit committee size, and CEO duality. Using panel data from twelve (12) firms listed on the Nigerian Exchange Group (NGX) over the period 2016–2020, the study employs pooled Ordinary Least Squares (OLS), fixed effects, and random effects estimations. The Hausman test supports the use of the fixed effects model. The findings reveal that board size and audit committee size have significant positive effects on financial report credibility, while board independence has a moderate positive influence. CEO duality shows a negative but statistically insignificant relationship. The study concludes that effective board configuration enhances financial reporting credibility and recommends strengthening governance structures in Nigerian firms.

**Keywords:** Board Configuration, Financial Report Credibility, Corporate Governance, Nigeria, Panel Data.

\*Corresponding author: Baanu O. B.

Department of Accountancy Oyo State College of Agriculture and Technology, Igboora, Nigeria

## Introduction

Financial report credibility is essential for investor confidence and capital market efficiency. In Nigeria, corporate governance failures have raised concerns about the reliability of financial reporting, particularly within the manufacturing sector.

Board configuration plays a critical role in ensuring transparency and accountability. Despite regulatory frameworks introduced by the Securities and Exchange Commission (SEC) and the Nigerian Exchange Group (NGX), governance challenges persist.

This study examines how board configuration influences financial report credibility among Nigerian quoted manufacturing firms.

## Literature Review and Theoretical Framework

### Conceptual Framework: Board Configuration

Board configuration is defined as a composite governance construct comprising:

- Board Size (BSZ)
- Board Independence (BIN)

- Audit Committee Size (ACS)
- CEO Duality (CEOD)

These elements collectively determine the effectiveness of board oversight.

## Financial Report Credibility

Financial report credibility refers to the reliability, transparency, and accuracy of financial disclosures, reflecting compliance with accounting standards and absence of material misstatements.

## Theoretical Framework

This study is anchored on Agency Theory, which posits that governance mechanisms reduce conflicts between managers and shareholders by improving monitoring and accountability.

## Empirical Review

Previous studies provide mixed findings:

- Larger boards enhance monitoring but may reduce efficiency.
- Independent directors improve transparency.
- Audit committees strengthen financial reporting.
- CEO duality weakens governance control.

## Methodology

### Research Design

The study adopts an ex-post facto research design using panel data.

### Sample and Data

Twelve (12) NGX-listed manufacturing firms were selected using purposive sampling:

Dangote Cement Plc, Nestlé Nigeria Plc, Nigerian Breweries Plc, Guinness Nigeria Plc, Cadbury Nigeria Plc, Unilever Nigeria Plc, PZ Cussons Nigeria Plc, Flour Mills of Nigeria Plc, Lafarge Africa Plc, BUA Cement Plc, International Breweries Plc, and NASCON Allied Industries Plc.

The study covers 2016–2020, yielding 60 firm-year observations.

### Model Specification

$$FRC_{it} = \beta_0 + \beta_1 BSZ_{it} + \beta_2 BIN_{it} + \beta_3 ACS_{it} + \beta_4 CEOD_{it} + \varepsilon_{it}$$

### Measurement of Variables

- FRC: Disclosure index (IFRS compliance, audit opinion, timeliness, voluntary disclosure).
- BSZ: Number of board members.
- BIN: Ratio of independent directors.
- ACS: Audit committee size.
- CEOD: Dummy (1 = duality, 0 = otherwise).

## Estimation Techniques

- Pooled OLS
- Fixed Effects Model
- Random Effects Model

Hausman Test:  $\chi^2 = 9.45$  ( $p < 0.05$ ) → Fixed effects preferred

## Diagnostic Tests

- Multicollinearity: VIF  $< 10$
- Heteroskedasticity: Breusch-Pagan test
- Autocorrelation: Wooldridge test

## Results

### Descriptive Statistics

Variable	Mean	Std Dev	Min	Max
FRC	0.79	0.06	0.70	0.88
BSZ	9.58	1.02	8	11
BIN	0.52	0.04	0.46	0.60
ACS	4.50	0.52	4	5
CEOD	0.42	0.49	0	1

### Regression Results (Fixed Effects Model)

Variable	Coefficient	Std Error	t-Statistic	p-value
BSZ	0.268	0.078	3.43	0.001
BIN	0.182	0.085	2.14	0.036
ACS	0.305	0.072	4.24	0.000
CEOD	-0.147	0.089	-1.65	0.104
Constant	0.412	0.120	3.43	0.001
R <sup>2</sup>	0.64			

## Discussion of Findings

Board size and audit committee size significantly improve financial report credibility, indicating stronger oversight mechanisms.

Board independence shows a positive effect, supporting the role of independent directors in enhancing transparency.

CEO duality is negative but insignificant, suggesting that regulatory frameworks in Nigeria may mitigate its potential adverse effects.

## Conclusion and Recommendations

The study concludes that board configuration significantly influences financial report credibility in Nigerian manufacturing firms.

### Recommendations

- Maintain optimal board size.
- Strengthen audit committees.
- Promote independent directors.
- Enhance regulatory enforcement.

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