

## **Impact of Corporate Governance on Capital Structure of Listed Consumer Goods Companies in Nigeria**

**Dr. Susan Peter TERU CNA, LUKA, Joel Maza FCA, IBRO, Bala Sule ACA, BASSEY, Emmanuel Ude & DOKA, Lenge Shaki**

*Department of Accounting, Taraba State University, Jalingo*

*Corresponding Author: Luka Joel FCA,*

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### **Abstract**

*This study examined the impact of corporate governance on capital structure of listed consumer goods companies in Nigeria for the period of 2010-2019. The study hinged on the agency theory in explaining corporate governance and capital structure as a principal and agent concept. Expost facto research design was adopted for the study and quantitative data. A panel data form was used which includes cross sectional and times series data. The data was sourced from audited annual reports of ten (10) listed consumer's goods companies in Nigeria as published by the Nigerian stock exchange. Hausman test was carried out after which random effect simple linear regression was selected due to the insignificant p-value of the test. The findings revealed that audit committee has a significant impact on capital structure with a p-value  $0.000 < 0.05$ . Board size showed an insignificant ( $.0408 > 0.05$ ) impact on capital structure of listed consumer goods firms in Nigeria. This implies that the number of directors that make up the board does not determine the capital structure of the firm. Ownership structure has a significant impact on capital structure. Implying that the share volume held by directors has an influence on the capital structure of the firm. Therefore, the study recommends amongst others that; Companies should consider audit committee as part of factors that can influence capital structure and should be wary of concentrating their shares in the hands of few if they want to enhance their capital structure to the optimum level.*

**Keywords:** *Capital Structure, Board size, Audit committee, Ownership structure*

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### **I. Introduction**

Corporate governance (CG) has become one of the most discussed topics in business administration due to statement of financial position manipulations or even collapse of some public corporations like Enron, WorldCom amongst others. Corporate Governance enlarged up prevailing debate on shareholder value management (Arnsfeld & Growe, 2006). It deals with management and the supervisory system of companies and represents in fact the legal and factual regulation framework for the interaction of management, board and stakeholders (Bassen & Zöllner, 2007).

Corporate governance signifies the prominent part of corporate finance in risk reduction, attracting capital investment, improving investor confidence and hence increasing the profitability of the firms (Neves et al., 2020).

Given the fact that corporate governance and capital structure are paramount to the overall success of a firm, this study therefore examines the impact of corporate governance mechanisms on capital structure of consumer goods firms in Nigeria. The study on the impact of corporate governance mechanisms on capital structure of consumer goods firms in Nigeria is an important research area that needs to be explored. This study is relevant in the Nigerian context given the important role the private organizations are expected to play as the engine of growth. It is expected that the findings of this study will have important policy implications for consumer goods firms in Nigeria. This study, therefore, examines the impact of corporate governance on leverage, thus, whether or not institutional investors, ownership concentration, board composition, audit committee and firm size form part of important mechanisms in determining capital structure of listed consumer goods firms in Nigeria.

Examine the relationship between audit committee and capital structure of listed consumer goods companies in Nigeria.

Assess the relationship between board size and capital structure of listed consumer goods companies in Nigeria.

Find out the relationship between ownership concentration and capital structure of listed consumer goods companies in Nigeria.

### **Capital Structure**

Modigliani and Miller are the forerunners of this debate and research on capital structure theory (1958). Because of their impact on the firm, capital structure decisions are among the most significant and crucial for every corporation. The topic of the optimal capital mix for deciding between survival and expansion is critical to the firm's continued existence. One of the most crucial aspects of financial decision-making is capital structure. This is due to the fact that it has a link with other financial decision variables. The entire arrangement of long-term money available to an organization for the pursuit of its objectives is referred to as capital structure (Ekwueme &Atu, 2018; Adiga et al., 2020).

According to Kennon (2010), capital structure refers to the amount of money (capital) at work in a company. Capital can be divided into two categories: stock and debt. According to Alfred (2007), the capital structure of a company refers to the proportion of debt and equity in the entire capital structure. The capital structure of a company, according to Nyakundi (2016), is the mix of debt and equity used to fund its operations. Financial leverage is defined as the utilization of fixed-cost sources of finance in conjunction with equity in a capital structure.

According to Ong and Teh (2011), a company's capital structure is a mix of long-term and short-term debts, common equity, and preferred equity. According to the idea of corporate debt capacity and capital structure, any specific combination of loan instruments in equity capital used by a corporation at any given time has major implications for various managerial activities, particularly those related to future solvency and profitability (Osazie, 1985). Pandey (2010) defined capital structure as the proportionate relationship between debt and equity in a company's different sources of funding. Pandey (2010) went on to say that capital structure is an important managerial decision because it affects the shareholder's return and risk because capital structure decisions can affect the market value of the stock. If a company has more debt than equity, it will not make more money because the higher debt company will have to pay more interest, resulting in lower profit; on the other hand, an equity company will not have to pay interest and will pay dividends to its shareholders; if the company makes a good profit, it will be able to pay a large dividend. As a result, a company's debt and equity must be balanced (Weston and Brigham, 1979; Hossain, Khan & Khalid, 2019).

### **Corporate Governance**

The methods by which a company's objectives are determined and pursued in the context of the social, regulatory, and market environment are referred to as corporate governance. It is concerned with strategies and procedures for ensuring that a company is conducted in such a way that it meets its objectives while also ensuring that stakeholders can have confidence in the organization's trustworthiness. Company governance is a critical component of corporate accountability and success (Financial reporting council of Nigeria, 2018). According to Audu (2015), corporate governance is performed in a variety of ways around the world, depending on the relative authority of owners, managers, and capital providers. It includes the procedures, practices, rules, and policies that influence how businesses are managed, administered, and regulated.

Stakeholders, as well as broader industries and economic sectors, may benefit from corporate governance. Stakeholders benefit from the resolution of conflicts of interest, the instillation of controls and a sense of ethics, and the enforcement and encouragement of openness. According to Thomson &Bereau (2009), there is a level of trust associated with a corporation that has a reputation for effective corporate governance.

### **Audit Committee and Capital structure**

An audit committee is a board of directors committee that is in charge of overseeing the financial reporting process, selecting an independent auditor, and receiving both internal and external audit results. An audit committee helps a board of directors fulfill its corporate governance and oversight responsibilities in respect to a company's financial reporting, internal control system, risk management system, and internal and external audit functions on a global scale. Within the limits of its terms of reference/charter, its job is to provide advice and recommendations to the board. The terms of reference and conditions for an audit committee differ every country, but economic and political unions with the power to create legislation may have an impact (Chukwunedu, Ogochukwu, &Onuora, 2014).

The Audit Committee is defined in Nigeria as a "Committee of Directors and the businesses shareholders' representatives whose special job is to review the yearly financial statements prior to submission to the Board of Directors." An audit committee's responsibilities are usually outlined in the charter of the committee. The Companies and Allied Matters Act (CAMA, 1990) and its subset of the board of directors established the audit committee in Nigeria. In the case of a public business, in addition to submitting an audit report to the shareholders at the annual general meeting, the external auditor is also obligated to provide a report

to an audit committee constituted by the public company (section 359 (3), CAMA, 1990). The audit committee is made up of an equal number of directors and shareholders' representatives (up to a maximum of six members), and it is responsible for reviewing the auditor's report and making recommendations to the annual general meeting as it sees suitable. Members of the audit committee are not paid, and their terms are subject to re-election on an annual basis. Any member may nominate a shareholder for membership on the audit committee by notifying the company's secretary in writing at least twenty-one days prior to the annual general meeting. (CAMA, Section 359 (4-5); Olayinka, 2019)

### **Board Size and Capital structure**

The more members on the board, the more effective the monitoring and management will be. As the organization's primary decision-making power, the board must be effective. According to Pathirawasan (2013), managers play the most essential role in a firm's financial performance since they create various corporate decisions and strategies, manage the firm's assets, leverage, and capital, and so on. According to Hafez (2017), board structure is a key corporate governance attribute that aids in increasing an organization's success. According to Adams and Mehran (2003), a larger board can more effectively analyze the organization's function and provide better management and supervision of the business due to higher abilities and expertise. Smaller boards have a harder time obtaining financing than larger boards. Nyakundi (2016), on the other hand, discovered a negative relationship between board size and leverage. According to Bopkin, Arko, and Arbor (2009)'s research on Ghanaian enterprises, there is a positive significant association between board size and capital structure. Firms with a larger board of directors typically use less leverage because they pressurize management to use less debt to avoid exposing investors to more risk (Uddin, Khan & Hosen, 2019).

### **Ownership Concentration and Capital structure**

The huge number of block holders indicates that investors are keeping a close eye on the company's major actions, which helps to reduce agency conflicts. The holders of the blocks have a stronger hand in management choices. They have the authority to compel management to act in shareholders' best interests and to raise their total wealth (Nyakundi, 2016). However, a long-term debt ratio is incompatible with this link. According to Olayinka (2019), "the ownership structure helps to avoid agency conflicts, therefore aligning the interests of the shareholder and the manager." The corporate governance system of a business is often inadequate due to a substantial conflict of interest between shareholders and managers. According to Fosberg (2004), the total amount of debt in a firm's capital structure is directly proportional to the total number of shares held by block holders, but the total number of block holders is inversely related.

### **Agency theory**

According to the Agency Theory, the directors are the agents of the shareholders, hence they must act in their best interests. The agent may not always behave in the best interests of the principal in this arrangement. As a result of the separation of ownership (principal) and control (agent) in the organization, an agent dilemma occurs. According to agency theory, managers (agents) may engage in opportunistic behavior that is at odds with the owners' (principal) goals, destroying shareholder capital. The board of directors, according to proponents of the agency method, is "an economic entity that helps to handle the agency difficulties inherent in managing every firm" (Hermalin & Weisbach 2000). In other words, one of the internal control systems designed to handle conflicts of interest between management and shareholders is the board of directors. And bring their goals closer together (Walsh & Seward, 1990). In this context, a board of directors serves as the steward of the shareholders' funds and is responsible for firing and rewarding the CEO (top management) as well as ratifying and monitoring major decisions (Fama & Jensen 1983).

## **II. Methodology**

The research design adopted for this study is ex-post facto design because the data are already in existence. The study was carried out based on panel data analysis where it relied on annual reports and accounts of the sampled companies. As such the design is considered adequate and appropriate for determining the impact of corporate governance on capital structure of listed consumer goods companies in Nigeria. The data were extracted from the annual report and accounts of the sampled companies as well as Nigerian Stock Exchange (NSE) Fact-Book. The study collected data relating to corporate governance and capital structure. The data covered a period of ten years from 2010 to 2019. The study population included the total listed consumer goods companies as at 31<sup>st</sup> December, 2019. The sample was sorted based on a set criterion. In light of that, 10 firms were sampled for the study.

In this research, the technique for data analyses include; descriptive, correlation and Ordinary Least Squared (OLS) regressions.

Descriptive statistics, Pearson correlation and Multiple regressions are employed to estimate the parameters of each of the variables in the model. The model is considered appropriate given the objective of the study and its consistence with most previous empirical studies. The linear regression model has been used because they are flexible, powerful and produce optimal results in predicting numeric output when properly structured. Multiple regression analysis was also used in estimating, testing and predicting the variation in dependent variables due to variation in any of the independent variables. This is because multiple regressions involve the use of more than one explanatory variable and that the models are very flexible and can takes many forms, depending on the way in which the independent variables are entered into the model. To examine the corporate governance and capital structure, this study uses the following multiple regressions equation:

$$CS_{it} = \alpha + \beta_1 AC_{it} + \beta_2 BZ_{it} + \beta_3 OC_{it} + \beta_4 FZ_{it} + \epsilon_{it}$$

Where:

CS = Capital structure measured as Total Debt to Total Equity

AC = Audit Committee

BZ = Board Size

OC = Ownership Concentration

FZ = Natural log of total assets

$\alpha$  = is the intercept

$\beta_1 - \beta_6$  = are the various slope coefficients

$\epsilon_{it}$  = error term

**Table 1: Variable measurement**

S/N	Variables	Definitions	Type	Measurement	Author(s)
1	Capital structure	Debt to total equity	Dependent	Total debt/Total equity	Hafez (2017)
2	BZ	Board size	Independent	Number of board members	Hafez (2017)
3	AC	Audit committee	"	Number of audit committee members	Siromi and Chandrapala (2017)
4	OC	Ownership concentration	"	Proportion of directors' shareholding to total shares in the paid-up share capital (%).	Nyakundi (2016)
5	FZ	Firm Size	"	Natural log of company Total Assets.	Nyakundi (2016)

### Data Analysis

Summary of the unit root test at 5% of all variables in the model (see appendix B)?

Table 4.1: Summary of the unit root test of all variables in the model

Variable	ADF	T_Critical	Remark
Audit Committee	-9.754572	-2.895109	Stationery at first difference
Board Size	-6.022995	-2.892536	Stationery at first difference
Ownership concentration	-9.798802	-2.895109	Stationery at first difference
Firm size	-9.280115	-2.895109	Stationery at first difference

Source: SPSS 25

In Table 4.2, the study present summary results of the unit root test at 5%. The ADF results which compare the Augmented Dickey Fuller statistic against the Mckinnon critical values at 5% shows that at first difference all the variables; audit committee, board size, ownership concentration and firm size were all stationery at first difference. This portends that there is absence of unit root effects in the variables, thus making it devoid of spuriousness. Given that all the time series used in this study are stationary, it then affords us to conduct the preliminary analyses, diagnostics tests and apply the appropriate econometric estimation.

### Descriptive analysis

Essentially in this section, interpretation of the summary statistics is presented. The result of the descriptive statistics is presented in the Table 4.5.

**Table 2: Summary of Descriptive Statistics**

VARIABLES	Min	Max	Mean	Std. Dev	N
CS	0.1127	1.009	0.5751	0.2057	95
AC	4.000	8.000	6.1158	0.5989	95
BZ	7.0000	14.000	10.926	1.8636	95
OC	31.130	62.630	48.987	6.2286	95
FZ	8.0310	22.296	17.131	2.0607	95

Table 4.3 presents the detailed account of descriptive statistics for the dependent and independent variables. From the table, capital structure has minimum and maximum values of 0.1127 and 1.009 respectively and the mean and standard deviation of 0.5751 and 0.2057 respectively. This means that on the average, capital structure of the consumer goods firms in Nigeria is around 58%. Meaning the capital structure of the companies is above average implying highly geared which means that the firms financed their business with more debt than equity. The standard deviation of 1.6993 indicates that the data deviate from the mean value from both sides by 21% which implies that there is no wide dispersion of the data from the mean because the standard deviation is less than the mean value.

The table also shows that the minimum and maximum values for audit committee are 4.0000 and 8.0000 respectively, has 6.1158 as the mean while 0.5989 as the standard deviation. The standard deviation indicates the dispersion of data from the mean by 59%. The mean value of 6.1158 depicts that on the average, the audit committee of the consumer goods firms in Nigeria approximately has six (6) members as the size of the audit committee which is the recommended number by the corporate codes of ethics as provided by Nigerian security and exchange commission (SEC).

The minimum and maximum values of board size are 7.000 and 14.000 respectively and mean value is 10.926 and 1.8636 as the standard deviation. The mean value of 10.926 indicates that on the average, the number of directors in the board is 11 approximately while the standard deviation shows that the data does deviate from the mean so widely.

The minimum value of ownership concentration is 31.130 and the maximum value is 62.630 while the mean and the standard deviation values are 48.987 and 6.2286 respectively. The mean figure implies that on the average, the ratio of ownership concentration to the equity of the firms is 48% which means the shares are highly concentrated in the hands of the block holders while the figure for standard deviation 6.2286 revealed the extent of dispersion of the data from it mean which implies less dispersion because the mean figure is higher than the standard deviation.

**Pearson Correlation Matrix**

In econometric analysis, it is essential that the independent variables in the model specification do not have excessive correlation partners. Similarly, it is necessary to examine in a preliminary manner, the association among the variables in the study. This informs the reason why the correlation analysis is employed to conduct this investigation. The result of the correlation test is reported in the table below:

**Table 3: Correlation Matrix**

Variables	AC	BZ	OC	FZ
AC	1.0000			
BZ	0.2173*	1.0000		
OC	-0.0999	-0.2228**	1.0000	
FZ	0.1934*	0.1466	-0.0779	1.0000

The Table 4.4 above depicts the matrix of the Pearson Products Moment correlation coefficient for all variables. The correlation result showed that all the explanatory variables, audit committee, board size, ownership concentration and firm size have both negative and positive associations. For example, audit committee is negatively correlated with ownership concentration (0.099, -0.099). Moreover, board size and audit committee are highly positively correlated (0.217, 0.00.2173). Ownership concentration and firm size are negatively related with rent (-0.077, -0.078). The correlations coefficients do not in any way shows signs of perfect multicollinearity considerably. In a nutshell it can be said that all the variables re-enforce in a Mutual perspective.

However, the relationship between the independent variables is not found to be strong to the extent of concluding that there is multicollinearity unless the variance inflation factor and tolerance values are comparatively beyond the established rule of thumb. Thus, the variance inflation factor (VIF) and tolerance value are advanced measures for assessing multicollinearity inflation factor (VIF) and the tolerance values were found to be concurrently smaller than ten and one respectively, see Table 4.7 indicating the absence of multicollinearity. This therefore, signifies the adequacy of fitting the model of the study with the three independent variables.

#### 4.2.3 Ordinary Least Squares (OLS) regression result

The summary of the regression result obtained from the model of the study ( $CS_{it} = \alpha + \beta_1 AC_{it} + \beta_2 BZ_{it} + \beta_3 OC_{it} + \beta_4 FZ_{it} + \epsilon_{it}$ ) is presented on the table below;

**Table 4: Regression Results**

VARIABLES	Coefficients	T-Statistics	T-Sig	VIF/Tolerance
Constant	1.599	2.232	0.028	
AC	-0.305	-3.954	0.000	1.080/0.926
BZ	-0.021	0.831	0.408	1.102/0.908
OC	-0.232	-2.341	0.021	1.053/0.949
FZ	0.050	2.265	0.026	1.048/0.954
R <sup>2</sup>	0.171			
Adj. R <sup>2</sup>	0.134			
F-Stat	4.644			
F-Sig	0.002 <sup>b</sup>			
Durbin-Watson stat	1.092			

Table 4.5 shows the R-Square is 0.171, portraying that all the exogenous variables explained 17.1% systematic variation on the dependent variable, capital structure, leaving 82.9% unexplained due to the stochastic error term. After adjusting for the degree of freedom, the R-Square is 0.134, which is about 13.4% systematic variation is explained by the independent variables, leaving about 86.6% systematic variation in the dependent variable, capital structure unexplained due to the stochastic error term in the construct. the F-statistic value of 4.644 when compared with the F-prob (Statistic) value of 0.002<sup>b</sup> is statistically significant at 5% level, suggesting a clear long run impact of the independent variables on the dependent variable, and were significant at enhancing debt to total equity (capital structure) of the listed companies under the period examined. While the Durbin-Watson statistic value of 1.092 points out clearly the removal of serial auto-correlation in the regression result.

Individual coefficient showed a mix result. Audit committee has a coefficient of -0.306 and a P-value 0.000<0.05. This indicates a negative and significant relationship between audit committee and capital structure of listed consumer goods companies. This implies that a unit change in the number of audit committee member, will result to a change in the capital structure of the firm.

Board size showed a negative value of -0.021 coefficient and a P-value 0.408 insignificant at all significance levels. This implies that the size of listed consumer goods in Nigeria board of directors is not related to the capital mix option of the company. The result explains that a unit change in board size will not result to a significant change in the capital structure of consumer goods firms.

Ownership concentration which was measured as director's shareholding to total shares showed a negative coefficient -0.232 and a significant P-value 0.021<0.05. This means that the ratio of shares held by the board of directors has a significant relationship with the capital structure adopted by listed consumer goods companies. The result implies that a unit change in the ownership concentration of the firm will result to a change significant change in the structure of capital in the firm. Firm size showed a significant and positive relationship with capital structure.

#### Hypotheses Test

This section presents the analysis carried out in order to test the hypotheses stated in chapter one. Also, robustness test was conducted to examine the output under varying circumstances. The robustness test gives greater reliability and credibility to the overall findings of the study.

The results for each hypothesis are presented below:

##### Hypothesis 1

**H<sub>01</sub>:** There is no significant relationship between Audit committee and capital structure of listed consumer goods firms in Nigeria.

Audit committee is found to be negatively and significantly related with the capital structure of consumer goods at 1% level of significance indicating that when the audit committee increases capital structure of consumer goods in Nigeria will decrease. This result therefore provides evidence of rejecting null hypothesis one of the studies which state that audit committee has no significant impact on the capital structure of listed consumer goods in Nigeria in Nigeria. Thus, null hypothesis one ( $H_{01}$ ) is rejected. The finding is in line with (Siromi&Chandrapala, 2017; Hafez 2017). On the other hand, this finding is contrary to the submissions of Uddin, Khan and Hosen (2019) who found an insignificant relationship between corporate governance (Audit committee) and capital structure of firms.

### **Hypothesis two**

**H<sub>02</sub>:** There is no significant relationship between Board size and capital structure of listed consumer goods firms in Nigeria

Board size measured as the total number of directors in the board found to be negative and insignificant which means that it is inversely associated with capital structure of listed consumer goods in Nigeria.

In line with the above result reported in respect of board size showing that the variable is insignificant in influencing the capital structure, this therefore provide evidence of failing to reject null hypothesis two ( $H_{02}$ ) of the study which states that board size has no significant impact on the capital structure of listed consumer goods in Nigeria. Thus, hypothesis two of the study is not rejected. The finding is in conformity to that of (Somathilake& Kumara 2015; Hafez 2017). On the other hand, this finding is not in line to the submissions of Nyakundi (2016) who found a significant relationship between corporate governance (Board size) and capital structure of firms.

### **Hypothesis three**

**H<sub>03</sub>:** There is no significant relationship between ownership concentration and capital structure of listed consumer goods firms in Nigeria

Ownership concentration is found to be negative and statistically insignificant at all level of significance implying that it is indirectly related to capital structure of listed consumer goods in Nigeria. Therefore, ownership concentration has no significant impact on the capital structure.

Owing to the outcome reported as regards to ownership concentration indicating that the variable is significant in influencing the capital structure, provide evidence of accepting to reject the null hypothesis three. The result is in support of the studies such as (Audu, 2015; Suryanto& Dai, 2016; Nyakundi, 2016; Hafez (2017)). On the other hand, this finding is in contrast to the submissions of and Uddin, Khan and Hosen (2019) who found a no significant relationship between corporate governance (Ownership concentration) and capital structure of firms.

## **III. Discussion of Findings**

Firms primarily exist to maximize profit and shareholder's wealth. Every firm either listed or not seeks to have an efficient capital mix which will enhance profitability and overall performance. Capital structure decision is one of the most important decisions in business organization and this decision can influence the firm value. Financial distress, bankruptcy and liquidation may occur as result of inefficient financial decision made by the firms to finance its business activity. Therefore, high leveraged companies should decide an optimal capital structure to reduce its costs.

The primary objective of this dissertation was to examine the relationship between corporate governance and capital structure of listed. The study measured corporate governance as audit committee, board size and ownership concentration while capital structure was measured as debt to total asset. The model was controlled using firm size.

In this study, the result from Table 4.3 shows audit committee has a coefficient value of -0.305 and T-statistics value of -3.954 while T-Sig as 0.000 which is significant at 1%. The negative value of the coefficient (-0.305) signifies that audit committee and capital structure of listed consumer goods firms in Nigeria are negatively related which implies that for every 1-member increase in the audit committee of listed consumer goods will lead to a decrease in the capital structure by 30.5% approximately. The size of the committee will decrease the capital structure because when the size of the committee is large, the decisions towards capital structure will not be effective as larger size brings unnecessary arguments and delay.

The table also revealed that board size has a coefficient value of -0.0072, T-Statistics value of -0.6705 and T-Sig of 0.5042 which is not significant at all level of significance. From the coefficient value (-0.0072) it can be deduced that board size and capital structure of listed consumer goods are negatively related.

Ownership concentration has a coefficient of -0.232, T-Statistics of -0.341 and a T-Sig Of 0.021 which is significant at 5% and 10% of significance. The negative coefficient of value of -0.232 signifies that ownership concentration and capital structure are significantly related which implies that for every 1 unit of shares increase by block holders, capital structure of listed consumer goods in Nigeria will change. This is off course no doubt

shareholders with big holdings fear risk more than anything because of their huge investment and so will not allow management to indulge in much debt.

The study revealed a positive and significant relationship between firm size and capital structure of listed consumer goods firms from a coefficient of 0.050, T-stat. of 2.265 and P-value of 0.026. This means that when the size of the firms increase by 1%, capital structure will increase by 5% approximately. This is because when a firm is big in terms of assets, it can easily access loans and have the capacity to repay the capital and interest as at when due.

#### **IV. Conclusion**

First, the study has provided both empirical and statistical evidence on the utility of three explanatory variables that constitute corporate governance mechanisms: audit committee, board size, ownership concentration and firm size in explaining and predicting the position of capital structure of listed consumer goods companies.

The study analyzed the relationship between capital structures and corporate governance of companies listed on the Nigerian stock exchange for the period 2010– 2019 by using linear regression analysis. Audit committee has significant negative impact on the capital structure of listed consumer goods in Nigeria. Therefore, it is concluded that audit committee can influence capital mix of the consumer goods. Board size is negatively correlated with debt level and is not crucial in determining choice of financial mix. Lastly, ownership concentration has a negative relationship with the debt indicating that concentration of ownership induces managers to lower the gearing level; however, the relationship is statistically significant.

#### **V. Recommendations**

- i. Companies should consider audit committee as part of factors that can influence capital structure as it revealed negative relationship with capital structure.
- ii. For the corporate governance mechanism (Board size) to impact positively on capital structure of consumer goods companies in Nigeria SEC should mandate the larger size of the board in order to have diverse experiences and skills towards debt financing.
- iii. There is no need for ownership concentration of the firms to concentrate in the hand of the shareholders because shareholders are pessimistic in debt financing. It is therefore recommended that companies should be wary of concentrating their shares in the hands of few if they want to enhance their capital structure to the optimum level.

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