



EFFECTS OF AUDIT COMMITTEE CHARACTERISTICS ON THE FINANCIAL PERFORMANCE OF LISTED INDUSTRIAL GOODS FIRMS IN NIGERIA

John Adamu¹ and Ofili Ugwudioha²

¹Department of Accounting, Faculty of Management Sciences, Nile University of Nigeria.
Email: Johnadamu06@yahoo.com

²Department of Accounting, Faculty of Management Sciences, Nile University of Nigeria.
Email: Ofili.u@nileuniversity.edu.ng

Cite this article:

Adamu, J., Ugwudioha, O. (2025), Effects of Audit Committee Characteristics on the Financial Performance of Listed Industrial Goods Firms in Nigeria. African Journal of Accounting and Financial Research 8(1), 153-167. DOI: 10.52589/AJAFR-JOBVL9R7

Manuscript History

Received: 11 Jan 2025

Accepted: 14 Feb 2025

Published: 6 Mar 2025

Copyright © 2025 The Author(s).

This is an Open Access article distributed under the terms of Creative Commons Attribution-NonCommercial-NoDerivatives 4.0 International (CC BY-NC-ND 4.0), which permits anyone to share, use, reproduce and redistribute in any medium, provided the original author and source are credited.

ABSTRACT: *This study examined the effect of audit committee characteristics (proxy as audit committee size, audit committee composition, audit committee meetings, audit committee frequency of meeting, audit committee financial expertise, and audit committee gender diversity) on the financial performance (ROA) of listed industrial goods firms in Nigeria from 2013 to 2023. The data were analysed using panel regression analysis. Findings revealed that audit committee size has a significant positive effect on ROA of listed industrial firms in Nigeria, while audit committee independence has a significant positive effect on ROA of listed industrial firms in Nigeria. Audit committee meetings have an insignificant effect on ROA of listed industrial firms in Nigeria. The study found that audit committee financial expertise significantly affects financial performance while board gender diversity negatively affects financial performance. Based on the findings, the study recommends that firms within the industrial goods sector should consider optimizing their audit committee size as part of their strategic initiatives to achieve superior financial performance and long-term success.*

KEYWORDS: Audit committee independence; Audit committee financial expertise; Audit committee board; Gender diversity; ROA; ROE.



INTRODUCTION

The evolution of corporate governance practices globally has witnessed a shift towards greater emphasis on transparency, accountability, and shareholder value. Establishing audit committees is a pivotal response to this changing landscape, designed to enhance the effectiveness of financial oversight mechanisms within organizations. Audit committees are a vital link between the board of directors, management, and external auditors. Their primary responsibilities include reviewing financial reports, internal and external audit oversight, ensuring compliance with regulatory requirements, and safeguarding the interests of shareholders. Understanding the audit committee characteristics contribution to an effective audit committee is imperative for ensuring robust corporate governance. Awad and Ghanem (2023) posit that the audit committee, a subsidiary body of the board of directors, offers supplementary measures to mitigate fraud risks and assure compliance with prescribed standards and optimal methodologies. In addition, it is anticipated that the audit committee will mitigate the issue of information asymmetry and enhance the oversight of managerial activities. The committee convenes on a regular basis to engage in discussions with the internal financial managers of the firm as well as external auditors, to evaluate the firm's financial statements, internal accounting controls, and audit procedures. Tawfeeq and Alabdullah (2023) argued that the presence of well-structured audit committees has become imperative for all publicly traded firms in Nigeria. The constitution of the audit committee necessitates the presence of some key elements, namely audit committee size, composition, frequency of meetings, financial expertise, and gender diversity.

The above statement is correct about the audit committees of industrial goods firms in Nigeria which have experienced an expansion of responsibilities following the implementation of various Corporate Governance Codes. This began with the approval of the 2011 Code of Corporate Governance, established by the Securities and Exchange Commission (SEC). The primary guidelines of audit committees in Nigeria are established by the Companies and Allied Matters Act (CAMA) 2004 (as amended) and the Corporate Governance Code, which was adopted in 2018 by the Financial Reporting Council of Nigeria (FRCN), formerly known as the Nigerian Accounting Standards Board. The significance of audit committees and corporate governance has been notably enhanced in the wake of recent corporate crises. The Code of Corporate Governance (2018) emphasises the essential attributes of the audit committee to efficiently fulfill its obligations.

The role of the audit committee in ensuring effective corporate governance and enhancing financial performance has gained increasing attention in academic and professional discourse. Audit committee characteristics, such as independence, size, expertise, and frequency of meetings, are crucial factors influencing the financial performance of firms. However, the effectiveness of these characteristics in the Nigerian context, particularly among listed industrial goods firms, remains under-researched.

In Nigeria, the industrial sector is vital for economic development, contributing significantly to employment, infrastructure development, and GDP. Despite its importance, the sector faces challenges such as financial mismanagement, poor corporate governance, and declining investor confidence. These issues have raised concerns about the ability of audit committees to oversee financial reporting processes and ensure accountability.



Previous studies have shown mixed findings on the relationship between audit committee characteristics and financial performance. For instance, Yasin and Nelson (2012) found that audit committee expertise and independence positively influence firm performance. Similarly, Agyei-Mensah (2019), Hamada and Jwailes (2021), Suherman et al. (2021) and Marashdeh et al. (2021) emphasized the importance of audit committee size and meeting frequency for financial oversight. However, these studies are often based on developed economies, leaving a gap in understanding how these dynamics operate in developing countries like Nigeria, where institutional frameworks and regulatory enforcement differ.

This research seeks to address the gap by investigating how audit committee characteristics affect the financial performance of listed industrial goods firms in Nigeria. Given the sector's critical role in economic stability, understanding these relationships could provide valuable insights for policymakers, regulators, and stakeholders to enhance corporate governance practices and financial outcomes.

Research Hypotheses

In line with the objectives, the following hypotheses are stated in their null form:

H₀₁: Audit committee size has no significant effect on the financial performance of listed industrial goods firms in Nigeria.

H₀₂: Audit committee independence has no significant effect on the financial performance of listed industrial firms in Nigeria.

H₀₃: Audit committee frequency of meetings has no significant effect on the financial performance of listed industrial firms in Nigeria.

H₀₄: Audit committee financial expertise Audit committee frequency of meetings has no significant effect on the financial performance of listed industrial firms in Nigeria.

H₀₅: Audit committee gender diversity has no significant effect on the financial performance of listed industrial firms in Nigeria.

LITERATURE REVIEW

This study is underpinned by the agency theory by Jensen and Meckling (1976). The study's adoption of the agency theory and the tokenism theory is based on its research objectives. Specifically, it aims to reduce agency conflicts in the composition of the board of directors to maximize shareholder wealth. Additionally, it explains board diversity in relation to corporations and how it impacts the corporation's performance. The idea goes on to describe how having a diverse board can create the right kind of equilibrium to improve an employee's social assets, which in turn will improve the worker's performance and happiness and ultimately the performance of the company.

According to the tenets of the agency theory, managers are frequently motivated to act against the interests of shareholders and in their own best interests when there is a conflict between them and the shareholders, particularly when opportunistic behavior is involved (Jensen & Meckling, 1976). Because managers are more prone to stray from safeguarding the interests of



shareholders in the absence of adequate market laws and monitoring instruments, the agency theory is pertinent to this study. Therefore, the main goal of sound corporate governance procedures like an audit committee is to lessen these kinds of conflicts.

Onmonya and Ebire (2023) examined the effect of audit characteristics on the corporate performance of listed conglomerates in Nigeria from 2015 to 2021. Audit characteristics were proxy as audit committee size, audit committee meetings and audit committee independence, while corporate performance was proxy as return on asset. The secondary data were sourced from the firms' annual reports and were analysed using correlation matrix and panel fixed regression. The result from the panel regression showed that audit committee size and independence do not significantly affect the performance of listed conglomerates in Nigeria. In contrast, audit committee meetings significantly but negatively affect listed conglomerates in Nigeria. This study concludes that the frequency of audit committee meetings does not increase the performance of firms. This study recommended that the Security and Exchange Commission ensure that conglomerate firms in Nigeria comply with at least four audit committee meetings in a year to improve monitoring mechanisms and corporate performance.

Juwita (2023) used audit fees as a moderating variable to examine how gender diversity on the board of directors, board of commissioners, and audit committee affects the quality of financial statements from 2019 to 2021. The panel regression analysis demonstrates that gender and women play a key role in the Corporate Governance process. The focus of this study was limited to Indonesia which does not apply to Nigeria.

Musah et al. (2022) examined the effect of board characteristics, audit committee characteristics, and gender diversity on audit fees of listed firms in Ghana. Panel regression. The study also showed that female representation on board and other top-level positions among listed firms is low. The results of the regression analysis revealed that female representation on the board had a negative relationship with audit fees. The findings of this study were limited to Ghana. Also, the present study deviates from this study by focusing on gender diversity and financial performance.

Shukla et al. (2021) investigated the effect of board gender diversity on the financial performance of 29 Indian banks from 2009 to 2016. The secondary data were analysed using panel regression. The study concluded that women on boards influenced financial performance. Similarly, Suherman et al. (2021) examined the impact of women directors on the financial performance of 264 non-financial corporations in Indonesia from 2013 to 2017. The panel data were extracted from the annual reports of the sampled corporation. The findings revealed that women directors do not have a significant effect on financial performance.

Dwalikat et al. (2021) used a two-stage least squares method to assess the effect of women on the board of directors on the financial performance of non-financial companies in Palestine from 2008 to 2015. The secondary data were analysed using panel regression. The findings showed that women on the board of directors are positively significant to financial performance. The study is limited to non-financial companies quoted in Palestine.

Abubakar et al. (2023) assessed whether board and audit effectiveness reduce financial constraint of the non-financial firms in Nigeria. The KZ index was used to measure financial constraint, and gender diversity and independence of the audit committee were adopted as determinants of effectiveness of the board and audit. Using data extracted from the annual reports of all the 87 listed non-financial firms in the Nigerian Stock Exchange (NSE), the



analysis was done by running the descriptive statistics, correlation, and regression. The results of the analysis show that gender diversity has a negative and significant effect on financial constraint. This study therefore concluded that gender diversity helps save firms from financial constraint problems. This simply implies that while high gender diversity on the boards of directors reduces the financial constraint of firms, independence of the audit committee does not mitigate the financial constraint situation of firms in Nigeria.

Onyekwere and Babangida (2022) examined 12 commercial banks in Nigeria for 2015 through 2019. The secondary data were analyzed using panel regression analysis. Findings showed a positive significant effect of female directors on firm financial performance. Awotomilusi and Dare (2022) investigated the influence of gender diversity on the firm value of Nigeria's listed DMBs from 2011 to 2020. Panel regression results revealed that the female board audit committee had a statistically insignificant negative effect on firm value. Kabara et al. (2022) examined how board diversity in terms of the gender and educational level of directors affects the performance of non-financial firms on the Nigerian stock exchange companies from 2012 to 2019. Using GMM, the findings supported the existence of a significant positive influence of gender diversity on the companies' performance. The study focused on non-financial firms while the current study focused on industrial goods firms.

RESEARCH METHODOLOGY

This study adopted the ex post facto research design to examine the effect of audit committee characteristics on the financial performance of listed industrial goods firms in Nigeria. The source of data for this study was from secondary sources, which were extracted from the annual financial statements of the listed industrial goods firms for the period 2013 to 2023. The secondary source was more appropriate because all information needed for the study is available in the industrial goods firms' financial statements. The data extracted included audit committee gender diversity, audit committee size, audit committee independence, audit committee frequency of meetings, audit committee financial expertise and ROA. The population comprised all listed industrial goods firms in the Nigerian Exchange Group (NGX) as of December 2023. The total number of industrial goods firms listed in the Nigerian Exchange Group (NGX) as of December 2023 was 13.

Model Specification and Variable Measurement

The panel regression model that captures the effects of audit committee characteristics on the financial performance of listed industrial goods firms in Nigeria is presented below:

$$ROA_{it} = \alpha_{it} + \beta_1 ACS_{it} + \beta_2 ACI_{it} + \beta_3 ACM_{it} + \beta_4 ACFE_{it} + \beta_5 ACGD_{it} + \beta_6 FS_{it} + \varepsilon_{it}$$

**Table 1: Description of Variables**

Variables	Type	Description	Source
ROA	Dependent variable	Measured as net income divided by total assets	Udoh et al. (2023)
Audit committee board size (ACS)	Independent variable	Measured total number of audit committee members	Shaker et al. (2023)
Audit committee board independence (AUCI)	Independent variable	percentage of non-executive directors to total number of directors	Abubakar et al. (2023)
Audit committee frequency of meeting (AUCM)	Independent variable	Total number of audit committee meetings per annum	Ugbah et al. (2023)
Audit committee financial expertise (AUCFE)	Independent variable	Percentage of audit committee members with accounting or financial education	Shaker et al. (2023)
Audit committee board gender diversity (AUCGD)	Independent variable	Percentage of the number of female directors on the audit committee.	Abubakar et al. (2023)

Source: *Authors' Compilation (2024)*

RESULT AND DISCUSSIONS

Descriptive Statistics

Descriptive statistics of the variables were carried out to show the nature and behaviour of the data using mean, standard deviation, minimum and maximum. The analysis is presented in table 2:

Table 2: Descriptive Statistics

Variables	Mean	Std Dev.	Min	Max
ROA	.0825337	.1723699	-.5060255	1.052389
ACS	5.22314	.851348	3	8
ACI	.142562	.1920401	0	.66666
ACM	3.607477	.8440358	2	6
ACFE	.8869779	.7859621	0	3
ABGD	.1215764	.1635485	0	.8



<u>FSIZE</u>	6.99	1.86	219871	9.63
--------------	------	------	--------	------

Source: *Authors' Compilation (2024)*

Table 2 shows that the mean of ROA is 8.2%, which implies that on average, industrial goods firms in Nigeria efficiently generate profits from their total assets. The dispersion, measured as the standard deviation around the mean, stood at 17.2%. The minimum and maximum values of ROA are -50% and 105.2%, respectively. This finding implies that some industrial firms utilise larger assets to generate profits while others use fewer assets. The average audit committee board size for industrial firms in Nigeria is 5, while the minimum and maximum are 3 and 8, respectively. The deviation from the average is approximately one board member. These findings imply that the committee's size is within the stipulated size of the SEC corporate governance codes. On the other hand, it is observed that the average number of independent non-executives on the audit committee constitutes a minimum of 0 and a maximum of 66.6%. The average is 14.3%. The implication of this is that the average audit committee independence of industrial firms does not meet the stipulated code of corporate governance requirement of at least one independent director on the audit committee. The average frequency of audit committee meetings of industrial firms in Nigeria is 3.6 times, with a deviation of .8. However, the sector's minimum and maximum frequency of meetings are 2 and 6, respectively. In conclusion, it can be deduced that the average industrial firm meets the minimum requirement of 4 audit committee meetings per annum.

The audit committee is composed to provide monitoring oversight on the financial activities of the firm. It is therefore important that the audit committee is composed in such a manner that the committee members have the required financial expertise. From the findings, on average 88% of members of the committee possess an accounting or financial academic qualification. The minimum and maximum number of audit committee members with financial expertise is 0 and 3, respectively. The finding implies that the committee is composed in such a manner as to provide adequate oversight function to the board. A descriptive analysis of industrial goods firms shows that the average gender diversity of the committee is 12%, while the minimum and maximum number of female directors on the audit committee is 0 and 80%, respectively. The deviation from the mean is 16%. The average firm size of industrial goods firms in Nigeria is 6.99 billion Naira.



Correlation Matrix

This section presents the pairwise correlation matrix which describes the relationship among the independent and dependent variables. The result of the test is presented in Table 3.

Table 3: Correlation Matrix

	ROA	ACS	ACI	ACM	ACFE	ABGD	FSIZ E
ROA	1.0000						
ACS	0.1619	1.0000					
ACI	0.2445	-0.3618	1.0000				
ACM	0.1195	0.1108	0.1347	1.0000			
ACFE	0.0726	0.1242	-0.0574	-0.1093	1.0000		
ABGD	-0.0377	-0.0178	0.2574	0.0416	-0.1147	1.0000	
FSIZE	0.1404	0.3435	-0.1025	0.4197	-0.0376	0.0501	1.0000
VIF	1.32	0.7174	0.7543	0.7575	0.9111	0.9263	0.7944

Source: *Authors' Compilation (2024)*

Table 3 shows the relationship between financial performance (ROA) and audit committee characteristics of listed industrial goods firms in Nigeria. The result shows that the relationship between financial performance and audit committee size, independence, meeting, financial expertise and firm size is positive. Implying an increase in the number of audit committees increases the financial performance of industrial firms in Nigeria. On the other hand, the correlation between financial performance and audit committee gender diversity is negative. Implying that an increase in gender diversity does not positively relate to financial performance in industrial goods firms. The conclusion made from these findings is that audit committee characteristics positively correlate with financial performance.

The regression analysis was subjected to a multicollinearity test to detect the presence of collinearity among the variables. The result shows that the mean of the Variance Inflation Factor (VIF) was 1.32, which is much lower than the threshold of 10. The VIF for individual variables was also very low. This indicates that the explanatory variables included in the model were not correlated, indicating an absence of multicollinearity between the variables.

Test of Hypotheses

Table 4: Empirical Result

Variables	Coef.	Std. Err.	t	P> t
ACS	.0526648	.0243107	2.17	0.033
ACI	.3112899	.1004071	3.10	0.003
ACM	.0043356	.0233015	0.19	0.853
ACFE	1.378864	.6780879	2.03	0.043



ABGD	-11.50975	3.189208	-3.61	0.000
LOGFSIZE	.0173048	.0212539	0.81	0.418
F statistics	3.13			0.0183
Hausman	2.99			0.5591
Hetest	0.95			0.3296
R ²	35.13			

Source: *Authors' Compilation (2024)*

From Table 4, the result of the Hausman test favours the adoption of random effect panel regression as shown by the probability value ($P = 0.5591$), which is insignificant at 5%. However, because of the heteroscedasticity result, pooled regression is adopted.

The analysis result in Table 4 shows the effect of audit committee characteristics on financial performance (proxy by ROA). The result shows that the coefficient of determination (R^2) is 35.13% which explains that 35.13% of the variations in the financial performance of listed industrial firms can be explained by audit committee characteristics (proxy as audit committee size, independence, frequency of meetings, board gender diversity and financial expertise). The F statistics test was used to show the fitness of the model. The findings indicate that the F statistic is statistically significant at 5%. Thus, it can be inferred that the model is fit to explain the effect of audit committee characteristics on the financial performance of listed industrial firms in Nigeria.

The panel regression result shows that audit committee size has a significant positive effect on the ROA of listed industrial firms in Nigeria. Based on this finding, the null hypothesis which states that audit committee size has no significant effect on the ROA of listed industrial firms in Nigeria, is rejected at 5% significance level ($P = 0.033$). Hence, the findings implies that an increase in audit committee size increases financial performance (ROA) by 5.2%. This finding implies that the size of the audit committee affects the performance of industrial firms in Nigeria. This finding conforms to the study by Okeke (2021) and Okolie and Ogbaragu (2022) who showed that audit committee size has no significant contribution to firm performance. In contrast, Iheyen (2021) and Meah et al. (2021) findings reveal that the audit committee size has an insignificant relationship with performance. Daniel et al. (2021) argued that the size of the audit committee determines the effectiveness and efficiency of the audit committee in carrying out its responsibilities. According to Ashari and Krismiaji (2020), a smaller audit committee is more effective in influencing performance since its members are more focused on talking about crucial financial reported concerns the company is facing. According to the Resource Dependence Theory, larger audit committees may help companies perform better because they may use their varied range of skills and knowledge to enhance oversight and benefit shareholders and other stakeholders.

The panel regression result shows that audit committee independence has a significant positive effect on the ROA of listed industrial firms in Nigeria. Based on this finding, the null hypothesis which states that audit committee independence has no significant effect on the ROA of listed industrial firms in Nigeria, is rejected at 5% significance level ($P = 0.003$). Hence, the findings imply that an increase in audit committee independence increases financial performance (ROA) by 31.1%. Therefore, the study accepts the alternate hypothesis. The study found that audit committee independence affects return on assets of listed industrial firms in Nigeria. This finding supports previous studies such as Bazhair (2022), Azam and Wang (2021), Mohamed



and Bii (2018), and Orjinta and Ikueze (2018) who found a positive significant effect of audit committee composition on financial performance. Ali and Meah (2021) opined that more independent non-executive directors on corporate boards provide more independence to the audit committees. Namakavarani et al. (2021) argued that the composition of the audit board should be such that it promotes transparency in executing its duties. An audit committee comprising non-executive directors will properly conduct supervisory roles. The goal is to enable committee members to monitor the financial discretion of the management and ensure the credibility of the financial reports.

The result shows that audit committee's meetings have an insignificant negative effect on the return on assets of listed industrial firms in Nigeria. Therefore, the null hypothesis which states that audit committee meetings have no significant effect on return on assets of listed industrial firms in Nigeria, is accepted as indicated by the p-value ($P = 0.853$), which is higher than 5% significance level. This finding implies that increasing the number of meetings by the audit committee does not translate into financial performance in industrial firms in Nigeria. On the contrary, Fariha et al. (2021), Osevwe-Okoroyibo and Emeka-Nwokeji (2021), and Okeke (2021) found that audit meetings have a positive and significant relationship with ROA. Al-Jalahma (2022) opined that the audit committee meetings measure their effectiveness and are considered an essential element of reviewing the financial reporting process of the firm. According to Musa et al. (2017), the audit committee meetings show how serious the committee is and allows the committee to engage external auditors who can improve the report's credibility and establish confidence in the shareholders. In contrast, investigations by Al-Jalahma (2022), Hamada and Jwailes (2021), and Okolie and Ogbaragu (2022) discovered that the frequency of meetings has no impact on financial success. This study contradicts the agency theory, which states that audit committee meetings are critical for aligning the interests of shareholders and management, improving monitoring and control, promoting accountability and incentives, providing expertise and advice, and facilitating communication and transparency. Audit committee meetings, on the other hand, can have a positive impact on a company's financial performance, leading to better outcomes and more shareholder value.

The null hypothesis which states that audit committee financial expertise has no significant effect on the return on assets of listed industrial goods firms in Nigeria is rejected as shown by a significant level ($P = 0.043$). Hence, the findings indicate that the audit committee frequency of meetings positively affects the ROA of industrial goods firms in Nigeria. This finding implies that an increase in the number of audit committee members with financial expertise increases ROA by 137.8%. This finding was corroborated by the studies of Mohamed and Bii (2018), Bazhair (2022), Azam and Wang (2021), and Okolie and Ogbaragu (2022) found that financial expertise is a vital skill set requirement for audit committee members. They argued that a highly competent audit committee brings specialized knowledge and skills to the table. Members with financial expertise, accounting qualifications, and industry-specific experience are better equipped to understand complex financial transactions and potential risks. This expertise enables them to provide valuable insights and advice to management, enhancing the quality of financial reporting and decision-making. Consequently, organizations with audit committees comprising experienced professionals tend to have more accurate financial statements, reducing the likelihood of material misstatements or fraudulent activities. In addition, the presence of knowledgeable audit committee members instills investor confidence. External stakeholders, including shareholders and creditors, rely on the integrity of financial information when making investment decisions. A competent audit committee acts as a



safeguard against financial mismanagement and assures that the organization's financial statements are reliable. This increased confidence can lead to a lower cost of capital, improved access to funding, and enhanced shareholder value.

Table 4 shows the result of the audit committee's gender diversity and return on assets of listed industrial goods firms in Nigeria. Based on the analysis, the findings reveal that audit committee gender diversity has a significant negative effect on the return on assets of listed industrial goods firms in Nigeria. Hence, the null hypothesis is rejected at 5% significance level ($P = 0.000$). Therefore, the alternate hypothesis is accepted. This finding implies that a unit increase in female directors on the audit board results in a decrease in ROA by 1,150% in ROA. In a similar vein, Musah et al. (2022) found that gender diversity in audit committees have a negative effect on financial performance while Suherman et al. (2021), Awotomilusi and Dare (2022) and Ugbah et al. (2023) claimed that audit committees increasing the number of female representatives in the audit committee does not affect the financial performance of firms. Prior studies such as Abubakar et al. (2023), Juwita (2023), Shukla et al. (2021), Dwalikat et al. (2021), Onyekwere and Babangida (2022) and Kabara et al. (2022) found a positive significant effect. This finding implies that firstly, gender diversity brings a broader range of perspectives and experiences to the decision-making process. This diversity of thought can lead to more robust discussions and a more comprehensive evaluation of financial risks and opportunities. Different viewpoints and approaches can help identify potential biases and enhance critical thinking, ultimately leading to improved decision-making and financial outcomes. Secondly, gender diversity fosters greater independence and accountability within audit committees. Research suggests that diverse boards tend to exhibit higher levels of objectivity and are less prone to groupthink. Female board members are more likely to challenge the status quo and ask tough questions, leading to a more rigorous examination of financial information and controls. This increased scrutiny can help identify potential errors, fraud, or unethical practices, thereby improving the overall quality of financial reporting and reducing the likelihood of financial misstatements. Furthermore, gender diversity within audit committees can positively influence investor perception and trust. In an increasingly socially conscious business environment, stakeholders value diversity and inclusion. Organizations that demonstrate a commitment to gender diversity are often seen as progressive and forward-thinking. This perception can enhance the organization's reputation, attract socially responsible investors, and potentially lead to improved access to capital. The inclusion of both male and female members fosters diverse perspectives, improves decision-making, enhances independence, and promotes investor trust. By embracing gender diversity, organizations can tap into a wider pool of talent, perspectives, and experiences, ultimately driving better financial outcomes.

Also, the control variable measured as the log of firm size is insignificant which implies that the size of industrial firms does not affect their performance.



CONCLUSION AND RECOMMENDATION

This study examined the effect of audit committee characteristics (proxy as audit committee size, audit committee composition, audit committee meetings, audit committee frequency of meeting, audit committee financial expertise, and audit committee gender diversity) on the financial performance (ROA) of listed industrial goods firms in Nigeria. The summary of the findings is as follows: Audit committee size has a significant positive effect on ROA of listed industrial firms in Nigeria, while audit committee independence has a significant positive effect on ROA of listed industrial firms in Nigeria. Audit committee meetings have an insignificant effect on ROA of listed industrial firms in Nigeria. The study found that audit committee financial expertise significantly affects financial performance while board gender diversity negatively affects financial performance. In conclusion, the audit committee plays a crucial role in enhancing the financial performance of industrial goods firms. By fostering improved oversight, accountability, and decision-making, larger audit committees contribute significantly to the overall financial health and sustainability of these firms. Secondly, the study concludes that increasing the number of independent directors on the audit committee affects financial performance of listed industrial firms in Nigeria. The independence and financial expertise of audit committees serves as a cornerstone for sound financial governance in the industrial goods sector. By upholding the integrity of financial reporting, independent audit committees not only safeguard against financial mismanagement but also enhance the overall financial performance of companies.

Based on the findings, the study recommends that

- i. Firms within the industrial goods sector should consider optimizing their audit committee size as part of their strategic initiatives to achieve superior financial performance and long-term success.
- ii. The study shows that managers of industrial goods work to improve the efficacy and efficiency of their audit committees through frequent performance reviews, ensuring committee members have the power and resources to do their jobs well, and encouraging lifelong learning and growth.
- iii. It is recommended that the meetings of audit committees are well-prepared, structured, and address key financial and risk-related matters. This will enhance the value and impact of audit committee meetings on financial decision-making and risk management.

**REFERENCES**

- Adewinmisi, G. O., Ahmed, M., & Yahaya, O. A. (2022). Audit committee independence and audit quality of Nigeria listed deposit money banks. *International Journal of Accounting and Finance*, 1(3), 16-26.
- Agyei-Mensah, B. K. (2019). Audit committee characteristics and financial performance: Evidence from listed firms in Ghana. *Journal of Corporate Governance Research*, 22(3), 123–140.
- Al-Jalahma, A. (2022). Impact of audit committee characteristics on firm performance: Evidence from Bahrain. *Problems and Perspectives in Management*, 20(1), 247-261. doi:10.21511/ppm.20(1).2022.21
- Ali, M. H. & Meah, M. R. (2021) Factors of audit committee independence: An empirical study from an emerging economy, *Cogent Business & Management*, 8(1), 1-23 DOI: 10.1080/23311975.2021.1888678
- Arens, A.A., Elder, R.J., & Beasley, M.S. (2009). *Auditing and assurance services: An integrated approach*, 13th Edition, New Jersey: Prentice Hall.
- Ashari, S. & Krismiaji, K. (2019). Audit committee characteristics and financial performance: Indonesian evidence. *Equity*, 22(2), 139-152. doi.org/10.34209/equ.v22i2.1326
- Awad, G., & Ghanem, M. G. (2023). Board of Directors, Audit Committee and Firms' Performance. *Dutch Journal of Finance and Management*, 6(1), 20594. <https://doi.org/10.55267/djfm/13463>
- Awotomilusi, N. S. & Dare, C. T. (2022). Gender diversity and firm value of listed deposit money banks in Nigeria, *Universal Journal of Accounting and Finance*, 10(4), 828-837. DOI: 10.13189/ujaf.2022.100405
- Azam, M. & Wang, M. (2021). The effects of the audit committee independence and expertise on firms' value, an empirical study on Palestine empirical study on Palestine, *International Journal of Economics and Financial Research*, 7(1), 14-20. DOI: <https://doi.org/10.32861/ijefr.71.14.20>
- Babatunde, M. A., & Olayemi, A. A. (2019). Corporate governance and financial performance of selected Nigerian manufacturing firms. *African Journal of Business Management*, 13(12), 382–393.
- Bazhair, A. H. (2022). Audit committee attributes and financial performance of Saudi non-financial listed firms, *Cogent Economics & Finance*, 10:1, 2127238, DOI: 10.1080/23322039.2022.2127238
- Daniel, N., Eguasa, B. E. & Excellence, B. (2021). Audit committee and financial performance of listed firms in Nigeria, *International Journal of Research, and Innovation in Social Science*, 5(12), 307-313
- Dwaikat, N., Qubbaj, I. S., & Queiri, A. (2021). Gender diversity on the board of directors and its impact on the Palestinian financial performance of the firm, *Cogent Economics & Finance*, 9, 1-15. doi: 10.1080/23322039.2021.1948659.
- El'Hawary, E. (2021). Audit committee effectiveness and company performance: Evidence from Egypt. *Journal of Governance & Regulation*, 10(2), 134–156. <https://doi.org/10.22495/jgrv10i2art12>
- Fariha, R., Hossain, M. & Ghosh, R. (2021). Board characteristics, audit committee attributes and firm performance: empirical evidence from emerging economies, *Asian Journal of Accounting Research*, 7(1), 84-96. DOI 10.1108/AJAR-11-2020-0115
- Hamada, R. & Jwailes, A. R. (2021). The effect of audit committee characteristics (committee size, committee independence, committee gender diversity, committee frequency of



- meetings on Jordanian firm performance TQ, *Journal of Business Management*, 7(10), 14-32
- Iheyen, C. (2021). Audit committee attributes and the value of firm: evidence from listed insurance companies in Nigeria, *Journal of Contemporary Issues in Accounting*, 2(1), 21-35. Available at <https://journals.unizik.edu.ng/jocia>
- Kabara, A. S., Khatib, S. F. Bazhair, A. H. & Sulimany, H. G. (2022). The effect of the Board's educational and gender diversity on the firms' performance: Evidence from non-financial firms in developing countries. *Sustainability*, 14, 1-15. <https://doi.org/10.3390/su141711058>
- Maina, L. K., & Oluoch, O. (2018). Effect of corporate audit committee characteristics on financial performance of manufacturing firms in Kenya. *International Journal of Social Sciences and Information Technology*, 4(10), 684-701
- Mawardi, W., Harjum, M. & Mulyo, H. (2023). The Role of Audit Committee Characteristics and I.C. Performance on I.C. Disclosure: Evidence from the Indonesian banking sector. *Economies* 11(7), 1-17. <https://doi.org/10.3390/economies11010007>
- Mohamed, A. I. & Bii, P. K. (2018). Role of audit committee financial expertise on financial performance of banking and insurance firms in Nairobi securities exchange, *International Journal of Academics & Research*, 1(1), 302-305
- Musah, A. Padi, A. & Okyere, B. (2022). Corporate governance, gender diversity, audit committee characteristics and audit fees in Ghana, *Academy of Accounting and Financial Studies Journal*, 26(2), 1-17
- Ojeka, S. A., Iyoha, F. O., & Obagbemi, I. F. (2013). Audit committee characteristics and firm financial performance in Nigeria. *International Business Information Management Association Conference, Rome, Italy*
- Okeke, P. C. (2021). Audit committee attributes and corporate performance: evidence from selected manufacturing firms in Nigeria, *European Journal of Accounting, Auditing and Finance Research*, 9(9), 1-17. <https://doi.org/10.37745/ejafr.2013>
- Okolie, A. O. & Ogbargu, J. S. (2022). Audit committee effectiveness and corporate financial performance of quoted deposit money banks in Nigeria, *International Journal of Economics and Management Studies*, 9(3), 24-34. <https://doi.org/10.14445/23939125/IJEMS-V9I3P104>
- Onmonya, L. O. & Ebire, K. (2023). Audit committee characteristics and corporate performance: Evidence from listed conglomerates in Nigeria, *Asian Journal of Economics, Business and Accounting*, 23(17), 113-121. DOI: 10.9734/AJEBA/2023/v23i171047
- Orjinta, H. I., & Ikueze, N. E. (2018). Effect of audit committee characteristics on performance of non-financial firms: Evidence from a recessed economy. *International Journal of Innovation and Applied Studies*, 24(1), 289–298
- Osevwe-Okorosobo, E. E. & Emeka-Nwokeji, N. A. (2021). Examining effect of audit committee attributes on firm performance: evidence from listed food and beverages firms in Nigeria, *European Journal of Accounting, Auditing and Finance Research*, 9(8), 26-43. <https://doi.org/10.37745/ejafr.2013>
- Rahel T. Z. & Serkalem T. B. (2010). The Impact of Board Composition on Accounting Profitability of the Firm: A Study of Large Capas in Sweden, *A Master Thesis of Umea School of Business*, Retrieved from <http://www.fpsc.ca/files/FPSC%20Board%20competency%20profile.pdf>



- Shukla, A., Sivasavkaran, N., Singh, P., Kanagaraj, A., & Chakraborty, S. (2021). Do women directors impact the risk and return of Indian banks? IIM Kozhikode Society & Management Review, 10(1), 44–65.
- Suherman, L., Rmadhania, M., Ahmad, G. N., Zakaria, A., & WEitiastuti, R. S. (2021). The effect of gender diversity and the business expertise of female directors on firm performance: Evidence from the Indonesia Stock Exchange, *International Journal of Business*, 26(3), 43-50.
- Tawfeeq, T. & Alabdullah, Y. (2023). The role of audit committees in Omani business context: do they affect the performance of non-financial companies, *Journal of Humanities, Social Sciences and Business*, 2(4), 643-659
- Udoh E.S., Ikpe I.J., and Emenyi E.O. (2023) Board Committees' Independence and Financial Performance of Listed Non-Finance Firms in Nigeria, *European Journal of Accounting, Auditing and Finance Research*, 11(7), 47-76. doi: <https://doi.org/10.37745/ejaafr.2013/vol11n74776>
- Udoh E.S., Ikpe I.J., and Emenyi E.O. (2023) Board Committees' Independence and Financial Performance of Listed Non-Finance Firms in Nigeria, *European Journal of Accounting, Auditing and Finance Research*, 11(7), 47-76. doi: <https://doi.org/10.37745/ejaafr.2013/vol11n74776>
- Ugbah, A. A., Amahi, F.U. & Offor, N. T. (2023). Audit committee composition and tax planning in Nigeria, *Asian Journal of Economics, Business and Accounting*, 23(21), 62-70. DOI: 10.9734/AJEBA/2023/v23i211116
- Wobo, H. O. & Ibanichuka, E. A. (2021). Effect of audit committee on the performance of deposit money banks in Nigeria, *International Journal of Management and Commerce Innovations*, 9(1), 669-675
- Yasin, F. M., & Nelson, S. P. (2012). Audit committee and internal audit: Implications on audit quality. *International Journal of Economics and Management Sciences*, 6(4), 101–109.