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Financial Performance: Does Board Monitoring Committees Matter? An Empirical Analysis of Listed Building Material Companies in Nigeria

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Abstract This study examines the association between the monitoring committee of the board and the financial performance of listed building materials companies in Nigeria for the period 2008-2018. The study population is 15 listed building materials companies in Nigeria, out of which a sample of 11 utilized due to non-accessibility and unavailability of data. The independent variable was board monitoring committees proxies by the executive committee, finance and general-purpose committee, nomination and remuneration committee and statutory audit committee, while return on assets (ROA) used to measured financial performance. Data collected from a secondary source through the annual reports and accounts of building materials companies for the period under review. The ordinary least square (OLS) regression techniques employed for data analysis. The finding reveals a positive and significant association between executive committee, statutory audit committee and financial performance, while shows a negative and significant relationship between nomination and remuneration committee and financial performance. The study recommends that board monitoring committees: the executive committee should increase to the maximum of 5 members, the statutory audit committee should increase from 6 to 8 members, nomination and remuneration should decrease to the maximum of 5 members for all building materials companies operating in Nigeria.

Keywords: *building materials companies, board monitoring committees, financial performance*

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1. Introduction

Historically, whenever there are crises, be it finance, religion, civil unrest amongst others. A committee would usually be set-up to investigate the root cause of the matter and reported back to the constituted authority that set up the committee. That had been the practice for the time immemorial. The same is applicable whenever an organization perform poorly or below a standard committee usually meets to investigate, review and recommends to the board what to do to improves performance. To resolving issues regarding poor performance in the organization, several committees would be set up by the board of directors to monitoring the operational activities. The underlying purpose of setting up such committees are to identify issues suitable for board review and recommend courses of action to the board toward improves performance level [1]. Most companies would not wait till the firm performed below the expected standard before setting up committee but have a standing committee monitoring the affairs of the company from the starting point to prevent unforeseen circumstances. The board monitoring committees form the independent variable of this study, which consist of the executive committee, finance and general-purpose committee, nomination and remuneration committee, and audit committee.

Finance is the lifeblood of every business, being it large, medium or small, they need finance to fulfill the business objectives. Practically, finance provides security, stability, and flexibility to both profit and non-profit corporations to develop goods and services to accomplish the demands. Performance, on the other hands, is to carry out a specific assignment or rendering certain services. Once funds are provided targeting to meet certain conditions but failed to fulfill such obligations would be, regarded as failed performance or low performance. Therefore, a firm is said to perform financially, if it can satisfy the interests of all partners, such as shareholders, employees, suppliers, customers, and creditors. Failure to meets the satisfaction of the parties (shareholders, employees, suppliers, customers, and creditors), would be viewed poor performance which required the committees to unveiling the circumstances resulting perform below standards and

recommend courses of action to the board toward improves future performance. The financial performance is the dependent variable measured by return on assets (ROA).

Building materials is one of the principal factors influencing performance in the Nigerian construction industry. Building materials industry accounting for more than 50% materials used in the construction industry resulting in the achievement of the national socio-economic development goals [2]. The sector also regarded as capital goods because its products and services usually constitute other economic activities in another sector [3]. That suggests building materials contributed majorly to the construction industry as materials constitute the largest parts to the construction industry, therefore, providing shelter, infrastructure and employment [2]. It also suggests that building/construction is one of the major sources of economic growth, development and economic activities bringing all categories of labour force together, such as unskilled, semi-skilled and skilled. That implies building and construction industry is an oil wheel on the Nigerian economy accounting for 60% of capital investment [3]. Without oil, the wheel cannot function effectively. Therefore, allow this sector to collapse for poor financial performance would affect a nation economy most, and, as such, the study intends to examine the effect of financial performance onboard monitoring committees of listed building materials companies on the Nigerian Stock Exchange.

The building materials industry is an essential component of manufacturing firms and highly visible contributor to the process of growth and prime source of employment generation through production and marketing of products offering job opportunities to unskilled, semi-skilled and skilled millions of people globally including Nigeria [3]. However, the sector regarded as corruption haven due to poor quality of materials produce, non-availability of materials to meet up with demands, overrun budgets, over dependant of foreign materials, and high cost of materials. Others see the poor performance of the sector from different perspectives, such as unnecessary expenditure, wrong investment, wrong recruitment and selection of employees, nonchalant attitude and poor accounting practices of the management. Therefore, this study examines the effect of financial performance of board monitoring committees to establish what is exactly responsible for the poor firm performance of listed building materials in Nigeria.

The main objective of this study is to examine the association between financial performance and board monitoring committees of building materials industry in Nigeria. To achieve this, the study evaluates the relationship between the executive committee and the financial performance of listed building materials industry in Nigeria; assesses the association between the finance and general purpose committee and the financial performance of listed building material industry in Nigeria; ascertain the correlation between the nomination and remuneration committee and the financial performance of building materials industry in Nigeria; and investigates the influence of statutory audit committee on the financial performance of listed building materials industry in Nigeria.

The following hypotheses were formulated and tested: Ho_1: executive committee has no significant relationship with the financial performance of listed building materials industry in Nigeria; Ho_2: finance and general purpose committee has no significant association with financial performance of listed building materials industry in Nigeria; Ho_3: nomination and remuneration committee has no significant correlation with the financial performance of building materials industry in Nigeria; and Ho_4: audit committee has no significant influence on the financial performance of listed building materials industry in Nigeria.

The findings of the study will immensely benefit the investors, creditors, regulators, financial analysts and other users of financial statements both at national and international level. It will provide a sound background of financial performance, thereby reducing the issues relating to low or collapsing of building materials sector in the future. It will also help the relevant regulatory body and policymakers in formulating and administering policies to come up with an idea, that could improve the financial performance of the sector in Nigeria. The study would also be of great importance to academics, students and other researchers, as it adds to the body of existing literature on the subject matter. Because it will serve as a reference point for further research on board monitoring committees and financial performance and other related areas, thereby expanding knowledge on the subject.

2. Literature Review

The concepts of finance are trace to the sourcing and utilization of fund to meet the desire objectives [4]. That means finance is a policy measure established for generating and spending fund to meet the targeted goals. Finance is the management of the flows of money through an organization, whether a corporation, school, bank or government agency [5]. Howard and Lipton [6] see finance as that administrative area or set administrative functions in an organization which relates with the arrangement of each and credit so that the organization may have the means to carry out the objectives as satisfactorily as possible. That suggests finance is the circulatory system of the economic body, making the required cooperation between innumerable units of the activity. Performance, on the other hand, is the act of performing, executing, accomplishing, fulfilling amongst others, suggesting the degree to which achievement is being recorded or has completed. When fund made available at the time is needed and, success achieved, then performance is established. "What is financial performance?".

Financial performance is the act of maximizing the owners' wealth [7]. That suggests whenever there is a creation of value to maximize the owners' wealth connote financial performance. Ijaz and Naqvi [8] see financial performance as business sector outcomes and results that show the overall financial health of the sector over a specific period, suggesting how well an organization is utilizing its resources to maximize the shareholders' wealth and profitability. Therefore, the act of performing, implementing, establishing, achieving and fulfilling a

given task that needs to measured against specific precision, money, fullness, and timing means financial performance. The performance indicators here referred to the use of proxies such return On assets (ROA); return on equity (ROE); return on investments (ROI); market share (MS), Tobin's Question, etc. These are an indication that measuring the financial performance of the firms, be it public or private, and as such researchers are encouraged to use various proxies as an indicator of financial performance. It is the outcome of these indicators would determine whether the firm is financially healthy or not.

Boards of directors are a crucial part of the corporate structure. They are the link between the people who provide capital (the shareholders) and the people who use that capital to create value (the managers). That means boards are the overlap between the small (minority shareholders), and the powerful group (majority shareholders) that runs the company as well as the many, diffuse, and a relatively powerless group that may wish to see the company run well [9]. The board of directors in collaborations with shareholders employing several measures in protecting the firms from collapsing. The board monitoring committees enable the owners of the companies to see the accountability and transparency mechanisms of resources utilization put in place by the management in effect to the benefit the owners [10]. Therefore, the structure of the board committee considered an important corporate mechanism, which would result in the improved financial performance of the organization [11]. That is because the primary responsibility for ensuring good corporate performance within the firms resides squarely and solely within the board of the corporation [12].

Three theories are considered relevant to this study: Stakeholder, Agency, and Resource dependence theory. Stakeholder theory expects the board of directors to take care of the interests of shareholders. Stakeholder theory is a group or individual who can affect or is affected by the achievement of the organization's objectives. It can be narrowing down focusing on the interest of shareholders and expected to take into account the interests of many different stakeholder groups, including interest groups such as social, environmental and ethical considerations [13,14,15]. The theory beliefs that many firms do strive to maximize shareholder value while trying to protect the interest of other stakeholders. The application of stakeholder theory is used in this study to determine how the board committees in conjunction with the entire board of directors of building materials industry will create an environment where both management staff and non-management staff strives to give their best to deliver the value the firm promises leading to financial performance.

Agency theory stipulates that due to the separation of ownership and control in the modern organization causes a divergence of interest between managers and directors. This divergence of interest is expected to have an effect on firm financial performance, and thus create a need for monitoring of top management. The theory beliefs that due to information asymmetries and agent greed, the shareholders lack reasons to trust the managers and seek to resolve these concerns by putting in place mechanisms to align the interests of managers with shareholders and to reduce the scope for information asymmetries and opportunistic behaviour. One of the mechanisms employed in resolving the conflict between the shareholders and management are the board of directors and various board committees. Based on the idea of agency theory, many researchers adopting the theory to examine the role of boards and other related governance aspects, such as board committees in affecting firm performance [11,16,17,18]. That suggests agency theory can be seen as the relationship or association between the providers of corporate finances and those entrusted to manage these resources for the interest of both the providers and the firm.

Resource Dependence theory stipulates that the number of resources a firm controls determines its growth and expansion [19]. These resources include all assets, capabilities, organizational processes, firm attributes, information, and knowledge controlled by a firm, in order to improve efficiency and effectiveness [20]. That means firm governance structure and the board composition is regarded as a resource that can add value to the firm. The theory beliefs that the boards are seen as a link between the firm and the external resources that a firm needs from the outside environment for improve or quality performance. Thus, bring in a non-executive director as a resource person to the board helps in gaining access to resources provided for the firm success [21]. Therefore, using the knowledge of resource dependence theory, we view the board of directors of building materials industry in Nigeria as a resource that can not only be replaced for the need of other resources but would also influence the environment in its favour, and thereby improve the firm financial performance.

2.1. Executive Committee and Financial Performance

Musyoki [22] evaluates the effect of board committees on financial performance in Nairobi using board executive committee (presence of non-executive and executive directors onboard), composition, structure and diversity representing board committees, while return on assets (ROA) and earnings per share (EPS) were used as an indicator for financial performance. Multiple regression techniques used to analyze the data. The result indicates a positive and significant effect of the board executive committee (presence of non-executive and executive directors onboard) on financial performance. Fauzi and Locke [23] investigate the association between board structure, ownership structure and firm performance in Zealand. The 79 firms were sample out of 147 listed firms on the New Zealand Stock Exchange (NZX) for the year 2007-2011. Board of directors, board executive committee, managerial ownership, non-executive directors, female directors, and block-holder ownership were representing board structure and ownership structure, while return on assets (ROA) and Tobin's Q measured of financial performance. Generalized least model (GLM) employed for data analysis. The finding reveals a positive and significant association between board executive committee and financial performance.

Al-Matari, Al-Swidi and Fadzil [24] examine the relationship between the audit committee characteristics, executive committee characteristics and financial

performance in Oman, sampling 81 firms out of 169 non-financial firms listed on the Muscar Security Market (MSM) for the year 2011-2012. Audit committee size, audit independence, executive committee independence, executive committee meeting, and executive committee size were proxies of the audit committee and executive committee characteristics. Return on assets (ROA) and earnings per share (EPS) measured by financial performance. Multiple regression utilized to analyze the data. The study shows a negative insignificant relationship between executive committee characteristics and financial performance. Kallamu [25] investigates the impact of risk management committee attributes on financial performance in Malaysia sample 37 finance companies for the study for the year 2007-2011. Corporate governance, risk management committee, independent directors, independent committee chair, expertise and experience, and executive membership were proxies of the risk management committee. Financial performance measured by return on assets (ROA), and Tobin's Q. Multiple regression model employed for data analysis The result reveals a negative significant impact of the presence of executive committee members on the risk management committee and financial performance.

2.2. Finance/investment and General Purpose Committee and Financial Performance

Klein [26] examines firm performance and board committee structure in the USA using a return on assets (ROA), and return on equity (ROE) as firms' performance measurement. Finance and investment committees proxies of board structure committee. Multiple regression utilized for data analysis. The result reveals a positive and significant of the percentage of insider directors on finance and investment committee and firm performance. Hayes, Mehran and Schaefer [27] evaluate cross-sectional variations in the committee structures of the board of directors and firms performance of S&P 500 firms for the year 1997-1998. Acquisition committee, ethics committee, succession committee, technology committee, finance and investment committee, strategy committee were all proxies of the committee structure of the board of directors. Firm performance measured by the market to book ratio. Ordinary least square (OLS) regression used for data analysis. The finding indicates a positive and significant association between finance and investment committee and firm performance.

Ammari, Amdouni, Zemzem and Ellouze [28] investigate the impact of board structure on the performance of French firms in the presence of several monitoring committees. The 80 firms were sample out of 120 firms listed on the French Stock Exchange with 1040 firm-year observations for the period 2001-2013. Nomination committee, remuneration committee, audit committee, finance and investment committee among others were proxies of monitoring committees. Financial performance was measure by return on assets (ROA), and Tobin's Q. Ordinary least square (OLS) regression employed to analyze the data. The result indicates no significant impact of finance and investment committee on financial performance. Naseem, Xiaoming, Riaz and Rehnan [29] explore the effect of board characteristics on firm performance in Pakistan using the sample of 179 companies listed on the Pakistan Stock Exchange (PSX) with 1074 firm-year observations for the year 2009-2015. Board size, meetings, independence, audit committee, gender diversity, and executive directors' compensation. Earnings per share (EPS), and Tobin's Q measured financial performance. The panel regression model used for data analysis. The finding shows several committees of the board; finance and investment committee, board size and audit committee have a positive and significant impact on financial performance.

2.3. Nomination and Remuneration Committee and Financial Performance

Kallamu [30] examines the impact of nomination committee attributes on the performance of financial companies in Malaysia using a sample of 37 firms for the year 2004-2011. The independent variable, nomination committee, while the dependent variable financial performance measured by return on assets (ROA), and Tobin's Q. Multivariate regression employed for data analysis. The outcome reveals a negative and significant impact of nomination on financial performance. Puni [31] ascertain the association between board committees and financial performance in Ghana using the sample of 31 firms listed on the Ghana Stock Exchange for the year 2006 - 2010. the nomination committee, remuneration committee, audit committee and board size proxies of board committees. Return on assets (ROA) and return on equity (ROE) measured financial performance. Static panel regression model employed to analyze the data. The study reveals a and positive insignificant association between nomination and remuneration committee and financial performance. Ogbeide and Akanji [32] assess the association between executive remuneration and financial performance in Nigeria utilizing, a sample of 60 firms listed on the Nigerian Stock Exchange for the period 2013-2014. Executive compensation, firm size, and board size proxies of executive remuneration, while financial performance measured by return on assets (ROA). Estimates generalized least square (EGLS) used to analyze the data. The study indicates a positive and significant association between executive remuneration and financial performance.

Agyemang-Mintah [33] investigates the relationship between remuneration committee and firm performance in Finland using the sample of 63 listed financial institutions on the Finland Stock Exchange with 756 firm-year observations for the year 2000-2011. The independent variable remuneration committee, while firm performance measured by return on assets (ROA), and market value (MV). Ordinary least square (OLS) regression employed for data analysis. The result indicates a positive and significant relationship between remuneration committee and firm performance. Oyerogba, Alade, Idode and Oluyinka [34] ascertain the impact of board oversight functions on the financial performance in Nigeria using a total of 186 listed companies on the Nigerian Stock Exchange for the year 2010-2016. Audit committee functions, risk management committee functions, and remuneration committee function proxies of board oversight functions. Financial performance

measured by return on capital employed (ROCE), and earnings per share (EPS). Multivariate regression utilized to analyze the data. The result reveals a positive and significant impact of remuneration on financial performance.

2.4. Audit Committee and Financial Performance

Aanu, Odianonsen and Foyeke [35] explore the influence of audit committee effectiveness on firm's performance in Nigeria utilizing four characteristics: independence, financial expertise, size and meetings of the audit committee. The firm's performance measured by return on assets (ROA), return on equity (ROE) and return on capital employed (ROCE). The 25 firms were sample out of 110 manufacturing firms listed on the Nigerian Stock Exchange for the year 2004-2011. Regression and correlation techniques employed to analyze the data. The result reveals a positive and significant association between audit committee (independence and financial expertise) and firm' performance. Ademola, Moses and Ucheagwu [36] investigate the relationship between corporate governance in Nigeria using (board structure index, ownership structure index, and audit committee index), and financial performance measured by return on assets (ROA). The30 companies were sample out of 45 manufacturing firms listed on the Nigerian Stock Exchange for the period 2010-2014. Multiple regression techniques employed for data analysis. The finding shows a positive and insignificant relationship between the audit committee and financial performance.

Bansal and Sharma [37] examine the role of audit committee characteristics and firm performance in India using the sample of 235 firms out of 500 non-financial firms listed on the India National Stock Exchange (INSE) and Centre for Monitoring Indian Economy (CMIE) for the year 2004-2014. The independent variable audit committee characteristics proxies by independence, frequency of meeting, CEO duality, promoter of shareholding, board composition, and board size. The dependent variable, firm performance measured by return on assets (ROA), return on equity (ROE), Tobin's Q, and market capitalization. Logistic regression used to analyze the data. The study finds no significant association between the audit committee and firm performance. Ebere and Ibanichukwu [38] evaluate the effect of the audit committee on financial performance in Nigeria using audit committee independence and size as a proxy for the audit committee. The dependent variable financial performance measured by return on assets (ROA), and return on equity (ROE) for the year 2008-2014. Regression techniques utilized to analyze the data. The finding shows no significant effect on the audit committee on finance performance. Ashari and Krismiaji [39] investigate the influence of audit committee characteristics proxies by (independence, size, competence and frequency of meetings) and financial performance measured by return on assets (ROA) in Indonesia. The 466 companies were sample out of 660 manufacturing firms for the period 2016-2017 Logistic regression employed for data analysis. The finding reveals a positive and significant effect of the audit committee and financial performance.

3. Methodology

The study utilizes a longitudinal panel design focusing more on the correlation research design. It evaluates the association among the variables derived for the regression models examining the relationship between dependent and independent variables. The population of this study comprises of the thirteen (13) listed building materials companies on the Nigerian Stock Exchange as at 2018 for eleven (11) years The entire population adopted, but only ten (10) companies were selected using census sample size 2008-2018 as shown on Table 1

Table 1. Population and sample size of the study as at 31st December, 2018

S/No	Name	Filters to arrived at the Sample Size	Year of Listing
1	Aluminum Extrusion Plc	√	1987
2	Berger Paints Nigeria Plc	√	1959
3	B. O, C Gases Nigeria Plc	√	1959
4	CAP Plc	√	1978
5	First Aluminum Nigeria Plc	√	1992
6	Meyer Plc	√	1979
7	Ashaka Cement Company Plc	√	1990
8	Multiverse Plc	√	2008
9	Notore Chemical Indusries	√	2018
10	Portland Paints Plc	√	2009
11	Premier Paints Plc	√	2009
12	Thomas Wyatt Nigeria Plc	√	1979
13	Larfage Plc	√	1978
14	CCNN Plc	√	1993
15	Dangote Cement Plc	√	2010

Source: Field work, 2020.

Census sampling used to selected companies based on two criteria. First, two companies dropped as they were not falling within the study period since they were listed, after 1st January 2009. Second, two companies discarded due to inaccessibility and unavailability of data for the study. Thus, 11 building materials companies form the sample size for this study. Data obtained from secondary sources through the annual reports and accounts of the selected companies from the Nigerian Stock Exchange website. Ordinary least square (OLS) regression techniques employed for data analysis using STATA 14. The linear regression model built encapsulates the contribution of executive, finance and general-purpose committee, nomination and remuneration committee, statutory audit committee, and firm age on financial performance display as: $ROA_{it} = \beta_0 + \beta_1 EXEC + \beta_2 FGPC + \beta_3 NMRC + \beta_4 SADC + \beta_5 FAGE + \varepsilon$

Where = ROA = Return on assets, EXEC = Executive committee, FGPC = Finance and general purpose committee, NMRC = Nomination and remuneration committee, SADC = Statutory audit committee, FAGE = Firm age, ε is the error component for the company i at time t assumed to have mean zero E (ε it) = 0, β_0 = constant, β_0 = 1, 2, ...5 are parameters to

be estimate: i = building materials companies, i = 1. . . . . .15; and t = the index of time periods and t = 1 . . . . 11.

4. Results and Discussions

This section presents and analyze the descriptive statistics, correlation matrix, diagnostic and post estimation test and then the summary of regression result.

Table 2. Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
ROA	121	0.162	0.371	0.01	3.21
EXEC	121	2.545	1.839	0	9
FGPC	121	3.214	1.550	0	8
NMRC	121	1.900	2.051	0	4
SADC	121	4.388	0.907	4	9
FAGE	121	24.818	11.351	1	46

Source: STATA 14 Output Results.

Table 2 reports the result of descriptive statistics of 11 building materials companies with six variables and a total of 121 observations for 11 years (2008-2018). The average value of return on assets (ROA) was 0.162 indicates that the average financial performance of listed building materials companies in Nigeria is 16% with a standard deviation of 0.571, a minimum of 1% and a maximum of 32% respectively. The executive committee (EXEC) shows a mean 2.545, a standard deviation .839 around the mean with a minimum 0, and a maximum of 9. That suggests some building materials companies had no existing executive committee, while 9 is the highest number of members of the executive committee during the study period.

Table 2 presents the average value 3.214 for finance and general-purpose committee (FGPC) during the study period, a standard deviation of 1.550 around the mean with a minimum of 0, and a maximum of 8. It implies that not all the building materials companies in Nigeria have finance and general-purpose committee. But companies with the financial and general-purpose committee has average members of 3 and a maximum of 8 members during the period of study. Also, the nomination and remuneration committee (NMRC) has an average value 1.900, a standard deviation 2.051 around the mean with a minimum 0, and a maximum 4. That explains that some building materials companies have no nomination and remuneration committee. The high standard deviation of 2.051 and the approximately average value of 2 implies that nomination and remuneration committee members depend on the size of the company. Some companies have no such committee, others have as low as two members, while 4 was the highest number of the committee members during the study period.

Furthermore, the statutory audit committee has a mean value of 4.388, a standard deviation of 0.907 around the mean with a minimum of 4, a maximum of 9. That explains that most of the building materials companies complied with section 359 (3) CAMA Cap 20 Laws of the Federation on Nigeria 2004, requiring equal members of both shareholders and non-executive directors. Most of the companies maintained an average of 4 members, a minimum of 4 members of equal membership of both shareholders and non-executive directors with the 9, the highest members during the period of study. Finally, firm age (FAGE) has an average value of 24.818, a standard deviation of 11.351 around the mean with a minimum of 1, and a maximum of 46. That suggesting the age of the firm differs. The 24 indicates the overall average listing years for all the building materials companies in Nigeria and 46 is the maximum years of listing for all the building materials companies in Nigeria during the period of study.

Table 3 reports the correlation matrix explaining the association among the variables. Examining the nature of the association between independent variables themselves, it suggests that the variables correlate well. Because, there is no correlation coefficient particular large, (greater than 0.58). Table 3 also, demonstrates both the positive and negative relationship among explanatory variables. There is a positive and significant association between executive committee (EXEC), statutory audit committee (SADC) and financial performance with a correlation coefficient of 0.2600 and 0.2014. The positive and significant correlation between executive committee (EXEC), statutory audit committee (SADC) and financial performance implies that an increase in one unit of both explanatory variables increases financial performance.

Table 3. Result of the Correlations and Matrix

Variable	ROA	EXEC	FGPC	NMRC	SADC	FAGE
ROA	1.0000					
EXEC	0.2600* 0.0040	1.0000				
FGPC	0.0437 0.6339	0.5898* 0.0000	1.0000			
NMRC	-0.1604 0.0789	0.0785 0.3920	-0.1588 0.0820	1.0000		
SADC	0.2014* 0.0268	0.0568 0.5364	0.0468 0.6101	0.0343 0.7087	1.0000	
FAGE	0.0482 0.6000	0.4662* 0.0000	0.4819* 0.0000	0.4513* 0.0000	0.1186 0.1951	1.0000

Source: STATA 14 Output Results
Note: * represents statistical significance at 5%.

There appears to be a positive and insignificant relationship between finance and general-purpose committee (FGPC), firm age (FAGE) and financial performance. The positive and insignificant correlation between finance and general-purpose committee (FGPC), Firm age (FAGE) and financial performance suggests that a rise in both explanatory variables insignificantly increases financial performance. On the other hands, there is a negative and insignificant association between nomination and remuneration committee (NMRC) and financial performance. The negative and insignificant association between nomination and remuneration committee (NMRC) and financial performance indicates that an increase in nomination and remuneration committee (NMRC) insignificantly reduces financial performance.

4.1. Result of Diagnostic and Post Estimation Test

Several tests were carried out to ascertain the statistical results of the study. The tests are normality, multicollinearity, heteroscedasticity and Hausman specification test.

4.2. Result of Data Normality and Multicollinearity

The normality data test using the Shapiro-Wilk (W) and multicollinearity were conducted to validate how normal and collinear the data collected is. The results of the test are shown below:

Table 4. Results of Data Normality and Multicollinearity Test

Variable	W	V	Z	P-VALUE	VIF	Tolerance (1/VIF)
ROA	0.359	62.044	9.252	0.000		
EXEC	0.941	5.705	3.903	0.000	1.68	0.595
FGPC	0.979	1.965	1.514	0.065	1.67	0.597
NMRC	0.948	4.979	3.598	0.000	1.29	0.773
SADC	0.878	17.567	6.424	0.000	1.01	0.985
FAGE	0.947	5.059	3.634	0.000	1.77	0.563
Mean VIF					1.49	

Source: STATA 14 Output Results.

A careful observation of Table 4 indicates that the P-value of all the variables were less than or equal to 5% significant level except the FGPC. That implies that all the study variables exception of FGPC failed the normality test, as the tests were significant at 5% with a confidence level of 95%, suggesting that the data does not fit the normal distribution. However, the failure of data normality test does not affect the model and the result of the study. On the other hands, tests of multicollinearity carried using the variance inflation factor (VIF) as display in Table 4. The criterion for VIF is that there is multicollinearity where the mean VIF and the tolerance value is greater than 4 and 1, respectively. From Table 4, the mean VIF is 1.49, and the tolerance value were all less than 4 and 1, respectively. Therefore, the results as displayed in Table 4 suggest the absence of perfect multicollinearity as all the I/VIF are less than 1 respectively.

4.3. Regression Results, Hettest, Model omitted and Hausman Specification Tests

Table 5. Regression Results and other tests

Variable	ROA		
	Coeff	Z-Value	P-value
EXEC	0.069	3.07	0.002
FGPC	-0.035	-2.32	0.187
NMRC	-0.032	-1.82	0.068
SADC	0.791	2.23	0.026
FAGE	0.005	0.15	0.881
CONS	-0.199	-1.17	0.242
R-SQ = Within	0.0000		
Between	0.7600		
Overall	0.1507		
Haus-chi^2	37.05		
P-value	0.574		
Hettest Chi^2	80.47		
P-Value	0.000		
Ovtest F.V	3.21		
P-Value	0.000		

Source: STATA 14 Output Results.

Table 5 reports the summarized computed regression results. EXEC has a coefficient of 0.069 at the z-value of 3.07 and p-value of 0.002. That suggests that EXEC is positively significant and affect ROA at 0.002 - 95% confidence level. That means that an increase in EXEC will increase ROA of the listed building materials companies in Nigeria. Also, FGPC has a coefficient of -0.035, a z-value of -2.32 and p-value of 0.187. That indicates FGPC is negative and, insignificantly affects ROA at 81.3% confidence level. That implies that an increase in FGPC will cause insignificantly decrease in ROA of listed building material companies in Nigeria. NMRC has a coefficient of -0.032 at the z-value of -1.82 and p-value of 0.068. That suggests that NMRC is negatively and statistically significant and affect ROA at 0.068-90% confidence level. That means that an increase in NMRC will result in a decrease in ROA. Furthermore, SADC has a coefficient of 0.791at z-value of 2.23 and p-value of 0.026. That implies that SADC is positively and significantly affects ROA at 95% confidence level. That means a rise in SADC will result in a rise in ROA. FAGE is insignificantly and positively affect ROA with a coefficient value of 0.005, z-value of 0.15 and p-value of 0.881. That implies that increasing the FAGE of the listed building materials companies in Nigeria will lead to an insignificant increase in ROA. Also, Table 5 shows that the coefficient of the intercept (CONST) is -0.199. This coefficient of the intercept determines the value of ROA when there is an increase, or decrease in any of the explanatory variables by 1 unit, while all others are held

constant. The z-value of the CONST is -1.17, which is statistically insignificant p-value = 0.242.

A close examination of Table 5 presents the result of random effect multiple regression indicating the overall results for fitted values of ROA. It shows the R-SQ of within = 0.0000, between = 0.7600 and overall of = 1507 of variations in ROA explained by board monitoring committee. The overall of 15.07% in ROA explained, the board monitoring committee, while 84.93% explained by other factors. That explains the Adjusted R2 of 0.2038. The random effect model adopted for this study was based on the outcome of model selection using a Hausman specification test showing a Chi2 and its Prob > chi2 of 37.05 and 0.574 respectively. Test of heteroscedasticity conducted to ascertain the level of heteroscedasticity in the study. The results displayed in Table 5 indicates H-test chi2 of 80.47 and Prob > chi2 0.000, indicating the presence of heteroscedasticity as the variation of the residual or error term is correlated. The model specification error tests also carried out to attest whether the failure of normality and heteroscedasticity test was as a result of errors in the model. The result of Ramsey F-Stat (model specification error test) with its Prob > F-Stat of 3.21 and 0.000 respectively. That implies that the study failed model specification error test as the F-statistics is statistically significant at 5%. However, the failure of normality, heteroscedasticity and model specification error test in Table 5 cannot affect the study data as well as the result of the study. Thus, the random effect model adopted for hypothesis testing.

5. Hypothesis Testing

The first hypothesis states that the executive committee has no significant association with the financial performance of listed building materials companies in Nigeria. Based on the result of the regression shown in Table 5 above, the executive committee has a significant association with the financial performance of the listed building materials companies in Nigeria during the study period. That provides us with evidence of rejecting the null hypothesis and accepting the alternative that the executive committee has a significant association with the financial performance of the sampled building material companies in Nigeria. This finding is consistent with the findings Musyoki [23]; Fauzi and Locke [23] who find that the executive committee is significantly positively related to financial performance. However, this finding contradicts that of Kallamu [25], who find a negative association between the executive committee and financial performance.

The second hypothesis states that finance and the general-purpose committee has no significant relationship with the financial performance of listed building materials companies in Nigeria. Regression result presented in Table 5 shows that the coefficient of finance and general purpose of -0.035 with z-value of -2.32 and p-value of 0.187. That shows that finance and a general-purpose committee has no significant relationship with the financial performance of the listed building materials companies in Nigeria during the study period. That provides us with evidence of accepting the null hypothesis and rejecting the alternative that FGPC has no significant relationship with the financial performance of the listed building materials companies in Nigeria. This finding is compatible with Ammari et al. [28] who find no significant relationship between finance and general-purpose committee and financial performance but contrary to that of Mehran and Schaefer [27]; Naseem et al. [29] whose findings shows a positive and significant relationship between finance and general-purpose committee and financial performance.

The third hypothesis states that the nomination and remuneration committee has no significant influence on the financial performance of listed building materials companies in Nigeria. Based on the result of the regression as shown in Table 5 above, nomination and remuneration committee has a coefficient value of -0.032 and z-value of -1.82, which is statistically significant at a p-value of 0.068. That implies that NMRC has a significant influence on the financial performance of listed building materials companies in Nigeria during the study period. That provides us with evidence of rejecting the null hypothesis and accepting the alternative that the nomination and remuneration committee has a significant influence on the financial performance of sampled listed building materials companies in Nigeria. This finding is consistent with Kallamu [30] who also find a negative association between nomination and remuneration committee and financial performance but in contrast with that of Agyemang-Mintah [33]; Oyerogba et al. [34] who find a positive relationship between remuneration and remuneration committee and financial performance.

The fourth hypothesis states that the audit committee has no significant correlation with the financial performance of listed building materials companies in Nigeria. Based on the regression result shown in Table 5 above, the statutory audit committee has a significant correlation with the financial performance of the listed building materials companies in Nigeria during the study period. This provides us with evidence of rejecting the null hypothesis and accepting the alternative hypothesis that the statutory audit committee has a significant correlation with the financial performance of the sampled building material companies in Nigeria. This finding is in conformity with the findings of Aanu et al. [35]; Ashari and Krismiaji [39] who find that the audit committee is significantly positively related to the financial performance. However, this finding contradicts that of Bansal and Sharma [37]; Ebere and Ibanichukwu [38], who find no significant correlation between the audit committee and financial performance 5.

6. Conclusion and Recommendations

In line with the above findings deducing from the analysis carried out, the study makes the following conclusions:

The executive committee has a positive and significant association with financial performance of listed building materials companies in Nigeria This means that the higher the executive committee, the higher the financial performance of the firms;

The finance/investment and general purpose has insignificant negative relationship with financial performance of listed building materials companies in Nigeria during the study. This implies that an increase in the size of finance and general purpose committee insignificantly reduces financial performance;

The nomination and remuneration committee has a negative and significant association with financial performance of listed building materials companies in Nigeria during the study period. This implies that the higher the nomination and remuneration committee, the lower the financial performance; and

The statutory audit committee has a positive and significant relationship with financial performance of listed building materials companies in Nigeria This indicates that the higher the statutory audit committee , the higher the financial performance of the firms and vice-versa.

Given these conclusions, the following recommendations are put forward for building materials companies in Nigeria based on the major findings:

First, the management of building materials companies in Nigeria should increase the number of the executive committee to the minimum of 4 and maximum of 6 members for all the building materials companies operating in Nigeria as it is seen to improve the financial performance. Implementing this will keep the existing system and enhance financial performance.

Second, the management of building materials companies in Nigeria should decrease number of the nomination and remuneration committee to the minimum of 3 and maximum of 5 members for all the building materials companies operating in Nigeria as they are seen to decrease the financial performance of listed building materials companies in Nigeria. Implementing will assists the committee impacting meaningfully on the firms' financial performance.

Third, the management of building materials companies in Nigeria should increase the number of audit committee to the minimum of 6 and maximum of 8 members as it is seen to improve the financial performance of listed building materials companies in Nigeria. Implementing this will encourage the committee maintaining the tempo and enhancing financial performance.

Finally, the Security and Exchange Commission (SEC) and other regulatory bodies of the companies operating in Nigeria should come up with policies designing the size for board of directors subcommittees, streamline the minimum and maximum members and includes in the corporate governance code for companies and other non-financial institutions as a provision that management of companies must ensure total compliance. This will enhance the capability of all the subcommittees of board of directors to put more effort and commitment for effective monitor toward sustaining the system and continues increasing financial performance.

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