Board Independence, Financial Performance, and Share Price Dynamics: Evidence from Nigerian Consumer Goods Firms

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ARTICLE DETAILS

History
Received:
May 02, 2025
Revised:
June 15, 2025
Accepted:
June 20, 2025
Published:
July 01, 2025

Keywords
Corporate Attributes
Share Price Dynamics
Board Independence
Consumer Goods
Corporate Governance

ABSTRACT

Purpose
This study examines the determinants of share prices among Nigerian consumer goods firms, focusing on firm-specific characteristics, capital structure, and the moderating effect of board independence.

Methodology
Panel data from 13 firms covering 2014 to 2023 are analyzed using fixed effects and generalized method of moments (GMM) estimators to assess both direct and conditional effects on market valuation.

Findings
The results indicate that firm size and market-wide performance consistently drive share price, underscoring the significance of resource advantages and macro-financial sensitivity in emerging markets. In contrast, profitability, liquidity, and leverage exhibit weaker direct effects. Board independence significantly moderates the relationships between firm size and profitability on the one hand, and share price on the other, enhancing the benefits of scale and constraining the influence of profitability on valuation. These findings highlight the conditional effectiveness of governance mechanisms and the dominant role of market-wide factors in determining valuation outcomes.

Conclusion
The study provides implications for corporate strategy, regulatory policy, and investor decision-making in emerging economies, emphasizing the need to align firm-level policies with macroeconomic conditions.

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1. Introduction

Share price behavior in emerging markets, such as Nigeria, is increasingly under scrutiny as corporate governance practices evolve. This study examines Nigerian consumer goods firms—a vital part of the non-oil economy—focusing on how firm-specific attributes and governance mechanisms, particularly board independence, shape share price performance. With the sector exposed to macroeconomic shifts and reliant on effective management, pinpointing share price drivers is essential for stakeholders.

Extensive empirical literature suggests that firm-level financial indicators—such as profitability, liquidity, leverage, and firm size—significantly influence stock price movements. Specifically, profitability indicates a firm's ability to generate earnings, which serves as a central signal to investors about future performance (Al-Shubiri, 2020). In addition, liquidity, defined as the ease with which a firm can meet short-term obligations, has also been linked to market valuation because of its implications for operational efficiency and risk (Saadaoui & Sassi, 2021). Furthermore, leverage, as a measure of capital structure, remains a double-edged sword; while it can enhance returns through tax shields, excessive debt increases financial risk and investor apprehension (Salehi et al., 2022). Finally, firm size, often proxied by total assets or market capitalization, is commonly associated with better access to finance, operational efficiency, and investor confidence, driven by greater disclosure and lower perceived risk.

Despite the linkage between these attributes and share prices, it cannot be examined in isolation from corporate governance mechanisms, notably the role of board independence. Board independence is presumed to promote effective monitoring and curb managerial opportunism, thereby improving investor confidence and ultimately influencing stock market valuations (Alshirah et al., 2020). In Nigeria, where governance reforms are increasingly shaping board composition, it is pertinent to evaluate whether independent boards can mitigate or amplify the influence of firm-specific characteristics on share prices. The theoretical underpinning for such an investigation lies in agency theory, which posits that independent directors serve as an internal control mechanism to align management's interests with shareholders' interests (Jensen & Meckling, 1976).

Empirical studies within Nigeria and other emerging markets provide mixed evidence on these relationships, underscoring the need for sector-specific assessments. For instance, Uwuigbe et al. (2021) found a positive link between board independence and firm performance in Nigerian firms, but the magnitude of its effect varied across industries. Similarly, Arowoshegbe and Emeni (2020) reported that the effectiveness of board structures in influencing financial outcomes depends significantly on industry dynamics and regulatory compliance. This divergence in evidence highlights a gap, as little attention has been paid to how board independence moderates the relationship between core financial attributes and share price performance in Nigeria's consumer goods sector, a gap this study seeks to address. The following section outlines the methodological approach to close this research gap.

This study utilizes fixed effects and GMM estimators to analyze both direct and conditional impacts on market valuation, applying panel data from 13 firms for the period 2014–2023. By examining board independence as a moderating variable, the research adds to the literature on corporate governance and finance in several ways. It provides an empirical analysis of how governance mechanisms interact with firm attributes to impact share price dynamics in an African emerging market. Additionally, it

yields sector-specific insights useful to investors, regulators, and boards for enhancing transparency and governance. The findings also support policy recommendations to advance board independence frameworks in Nigeria's capital markets.

The key findings indicate that firm size significantly drives share price, while board independence amplifies the valuation benefits of larger firms and constrains the impact of profitability. These results underscore the conditional efficacy of governance mechanisms and the predominance of market-wide factors in shaping valuation outcomes. Building on these insights, the study offers implications for corporate strategy, regulatory frameworks, and investor decision-making in emerging economies, emphasizing the integration of firm-level policies with macroeconomic considerations. Following this overview, the paper is structured as follows: Section two reviews relevant literature and theoretical underpinnings; Section three details the methodology and data; Section four presents results, discussion, and policy implications; and Section five concludes with recommendations for investors, regulators, and corporate boards.

2. Literature Review

The theoretical relationship between corporate attributes and share price dynamics is grounded in three interrelated theories: agency theory, signaling theory, and resource dependence theory. These theories explain how internal corporate structures and governance mechanisms interact to shape investor perceptions and firm value. According to Jensen and Meckling (1976), it remains central to corporate governance literature. It posits that conflicts between managers (agents) and shareholders (principals) arise from divergent interests and asymmetrical access to information. To mitigate agency costs, the presence of independent board members is often advocated as a governance mechanism to monitor managerial actions and ensure alignment with shareholder value. Board independence, therefore, functions as an internal control system that restrains opportunistic behaviour and improves decision-making transparency, which investors may factor into their share pricing (Fama & Jensen, 1983; Bebchuk & Weisbach, 2010). In emerging markets like Nigeria, where ownership is often concentrated and corporate governance codes are often weakly enforced, independent directors serve as vital actors in safeguarding minority shareholders' interests (Al-Najjar, 2015).

Complementary to agency theory is signaling theory. It explains how firms convey private information to the market through observable financial and governance signals. Financial attributes—such as profitability, leverage, and liquidity—indicate a firm's quality and prospects (Ross, 1977). Firms with strong financial fundamentals signal their viability to investors, which can lead to higher share valuations. When information asymmetry exists, governance structures such as board independence enhance the credibility of these signals. Independent directors, because of their objectivity and detachment from management, are more likely to ensure accurate financial disclosures and long-term strategic focus (Ntim, 2013). Thus, board independence influences firm performance and how investors interpret financial signals.

Resource dependence theory, articulated initially by Pfeffer and Salancik (1978), provides another perspective on the importance of board composition. The theory suggests that board members are instrumental in securing critical resources - such as legitimacy, access to external finance, and strategic partnerships - that can enhance firm performance and market valuation. Independent directors are viewed as conduits for external expertise, networks, and market insights, thereby strengthening the firm's ability to adapt and compete effectively. In sectors like consumer goods, where market volatility

and regulatory pressures are pronounced, resource-rich boards may serve as stabilizing forces, reassuring investors and stabilizing stock prices (Hillman & Dalziel, 2003).

Taken together, these theoretical perspectives suggest a complex interplay between corporate financial attributes, governance structures, and investor responses. Agency theory emphasizes monitoring, signaling theory underscores communication of firm quality, and resource dependence theory highlights access to external resources and legitimacy. The moderating role of board independence, therefore, can be theorized as a mechanism that strengthens or weakens the effect of corporate attributes on share price. This interaction is particularly salient in developing economies where market inefficiencies and governance shortcomings necessitate robust internal controls (Issarawornrawanich, 2015; Dah & Frye, 2017).

In the Nigerian context, integrating these theories provides a helpful framework for interpreting how corporate governance can mediate the relationship between firm fundamentals and market valuation. As regulatory bodies like the Securities and Exchange Commission (SEC) of Nigeria continue to push for governance reforms, the effectiveness of board independence in enhancing shareholder value remains an empirical question deserving further exploration. By drawing on these theoretical lenses, this study examines not only the direct effects of corporate attributes on share price but also how board independence functions as a strategic governance tool within this relationship.

3. Methodology

This study investigates the effect of firm-level attributes on share price dynamics, with board independence as a moderating variable, using panel data from 13 listed firms in Nigeria's consumer goods sector over the 2014–2023 period. The data were manually compiled from audited annual reports and stock market disclosures accessed through the Nigerian Exchange Group (NGX). Financial metrics, including profitability, liquidity, leverage, and firm size, were extracted from firm-level financial statements. The final balanced panel consists of 130 firm-years.

The dependent variable, share price (SHPR), is now operationalized as the natural logarithm of the annual closing share price. This transformation mitigates the influence of extreme values and aligns with contemporary econometric practice (Baltagi, 2021; Al-Shubiri, 2020). To isolate firm-specific effects from market-wide fluctuations and temporal shocks, the model now includes year-fixed effects and controls for the annual return of the NGX All-Share Index (MARKET). To ensure meaningful interpretation and mitigate multicollinearity, the variables involved in interaction terms (PROF, FSIZ, LIQD, BIND) were mean-centered before forming the product terms (Aiken & West, 1991, as cited in O'Brien, 2017). All continuous variables were winsorized at the 1st and 99th percentiles to reduce the influence of extreme outliers, particularly for LEVG and SHPR, thereby enhancing the robustness of the estimated parameters

The study acknowledges potential reverse causality by using one-period lagged independent variables (t-1) as a baseline remedy for endogeneity (Wooldridge, 2010). Furthermore, the Arellano-Bond Dynamic Panel Data (DPD) estimator was employed as a robustness check to account for the persistence of share prices. All standard errors are now clustered at the firm level to account for within-firm serial correlation and heteroskedasticity (Baltagi, 2021).

The dependent variable, share price (LSHPR), is the natural logarithm of the annual closing price. Profitability (PROF), proxied by the ratio of profit before tax to total assets, is expected to have a positive effect on share prices under signaling theory (Ross, 1977). Liquidity (LIQD), measured as the current ratio, is hypothesized to positively influence share price in line with the trade-off theory (Ayandele et al., 2022). Leverage (LEVG), defined as the ratio of total debt to shareholders' equity, and is expected to exert an adverse effect, in line with the pecking order theory (Egbunike & Odum, 2023). Firm size (FSIZ), measured as the natural logarithm of total assets, is expected to be positively related to share price (Mensah et al., 2023). Board independence (BIND), the percentage of independent directors on the board, is the moderating variable, grounded in agency theory (Jensen & Meckling, 1976; Fama & Jensen, 1983).

The econometric estimation begins with a baseline panel model with lagged predictors:

Where represents year-fixed effects. To evaluate the moderating effect of board independence, mean-centered interaction terms are introduced:

The study presents results from both Fixed Effects (FE) and Random Effects (RE) models. The Hausman test determines the preferred specification. The Arellano-Bond estimator is used to address dynamics and endogeneity further. Multicollinearity is assessed using Variance Inflation Factors (VIFs), and the moderating effect is visualized via a marginal effects plot.

Table.1.Variable Definition and Measurement

Share Price (LSHPR)		Dependent Variable	Scale	Natural log of closing market price	Al-Shubiri (2020); Authors	NGX
Profitability (PROF)	β_1	+ Independent Variable	Ratio	Profit before tax / Total assets	Ogboi et al. (2022)	Financial Statements
Liquidity (LIQD)	β_2	+ Independent Variable	Ratio	Current assets / Current liabilities	Ayandele et al. (2022)	Financial Statements
Leverage (LEVG)	β_3	– Independent Variable	Ratio	Total debt / Shareholders' equity	Egbunike & Odum (2023)	Financial Statements
Firm Size (FSIZ)	β_4	+ Independent Variable	Ratio	Natural logarithm of total assets	Mensah et al. (2023)	Financial Statements
Board Independence (BIND)	β_5	+ Moderating Variable	Ratio	% of independent directors on board	Ehikioya (2022)	Annual Reports
Market Return (MARKET)	δ	+ Control Variable	Ratio	Annual return of NGX ASI	Akanbi et al. (2021)	NGX

Source: Author's own elaboration

4. Result and Implications

4.1. Discussion of Result

The descriptive statistics in Table 2 provide an important preliminary understanding of the financial characteristics and governance structure of consumer goods firms in Nigeria. The mean log share price of 2.263 indicates a moderate market valuation, which aligns with the sector's documented relative stability amid broader macroeconomic fluctuations (Akanbi et al., 2021). Profitability, averaging 8.4 percent, indicates that firms operate on modest margins—a trend consistent with the intense competitive structure (Ogboi et al., 2022). Liquidity levels also suggest that firms maintain adequate short-term

solvency, reinforcing the trade-off view that firms optimize liquid reserves to balance financial flexibility and opportunity costs (Ayandele et al., 2022). The wide dispersion in leverage reflects diverse financing strategies across firms, echoing findings by Abdulkarim et al. (2019) on the influence of firm-specific factors on capital structure choices. Firm size, with moderate variation, underscores the differential advantages larger firms enjoy, such as stronger market visibility and operational capabilities (Mensah et al., 2023). Meanwhile, the average board independence of 61 percent signals substantial alignment with Nigeria's corporate governance reforms, as underscored by Ehikioya (2022). The considerable variability observed in market performance reinforces the sensitivity of share prices to macroeconomic and market-wide conditions (Akanbi et al., 2021). Collectively, these descriptive insights provide a strong foundation for the multivariate analysis that follows.

Table.2.Descriptive Statistics (Winsorized Data)

Variable	Mean	Std. Dev.	Min	Max
LSHPR	2.263	1.129	-0.491	4.273
PROF	0.084	0.095	-0.107	0.320
LIQD	1.038	0.689	0.157	3.502
LEVG	1.043	1.128	0.000	4.921
FSIZ	10.765	0.658	9.240	11.793
BIND	0.610	0.170	0.167	0.909
MARKET	0.025	0.125	-0.178	0.426

Source: Author's own elaboration

The correlation patterns reported in Table 3 are theoretically intuitive and empirically consistent with the literature. Profitability shows a positive but modest correlation with share price, supporting signaling theory (Ross, 1977) and studies demonstrating that more profitable firms tend to attract higher valuations (Ogboi et al., 2022). Liquidity also correlates positively with share price, albeit weakly, suggesting that adequate liquidity can enhance investor confidence without guaranteeing valuation gains (Saadaoui & Sassi, 2021). Leverage's negative association with share price aligns with the pecking order argument that high debt increases perceived financial risk and depresses market valuation (Egbunike & Odum, 2023). Firm size emerges as the strongest correlate of share price ($r = 0.401$), reinforcing the visibility and resource-based advantages highlighted in prior studies (Zhu & Li, 2021; Mensah et al., 2023). Board independence, however, shows only a weak correlation with share price, echoing findings reported by Dah and Frye (2017) and Adebayo et al. (2022), suggesting that the influence of independent directors may operate through conditional or mediating channels. Market performance correlates positively with share price, consistent with the sector's integration into broader market cycles (Akanbi et al., 2021). Importantly, none of the correlation coefficients indicate multicollinearity issues, supporting the reliability of the regression models.

Table.3.Pairwise Correlations (Winsorized Data)

Variable	LSHPR	PROF	LIQD	LEVG	FSIZ	BIND	MARKET
LSHPR	1.000						
PROF	0.152	1.000					
	(0.087)						
LIQD	0.095	0.201*	1.000				
	(0.283)	(0.022)					
LEVG	-0.135	-0.235**	-0.121	1.000			
	(0.129)	(0.007)	(0.170)				
FSIZ	0.401**	0.187*	0.151	-0.381**	1.000		
	(0.000)	(0.033)	(0.086)	(0.000)			
BIND	0.035	-0.059	-0.081	0.199*	0.183*	1.000	
	(0.692)	(0.505)	(0.357)	(0.023)	(0.037)		
MARKET	0.212*	0.045	-0.032	-0.087	0.104	-0.055	1.000
	(0.016)	(0.613)	(0.720)	(0.325)	(0.239)	(0.535)	

Note: ** p<0.05, * p<0.1

Source: Author's own elaboration

The multicollinearity diagnostics in Table 4 further validate the adequacy of the model's specification. All VIF values fall comfortably below the threshold of 10, with a mean VIF of 1.78, confirming the absence of harmful multicollinearity. As O'Brien (2017) emphasizes, low VIF values strengthen the interpretability of regression coefficients, especially in models containing interaction terms. The moderate VIF levels for profitability, firm size, and board independence indicate that these variables maintain substantial independent variation, ensuring distinct explanatory contributions. Moreover, the interaction terms exhibit low VIF values, indicating that mean-centering successfully mitigated the artificial correlation inflation that typically accompanies multiplicative constructs (Wooldridge, 2010; Baltagi, 2021). This outcome is particularly important because governance variables often interact with firm-level factors such as profitability and size (Hillman & Dalziel, 2003; Ciftci et al., 2019). The absence of multicollinearity strengthens the credibility of subsequent findings by ensuring that overlapping constructs do not drive observed relationships but reflect meaningful economic interactions.

Table.4.Variance Inflation Factors (VIF) for Moderated Model

Variable	VIF	1/VIF
PROF	2.45	0.408
FSIZ	2.41	0.415
BIND	2.12	0.472
LEVG	1.85	0.541
LIQD	1.62	0.617
PROFxBIND	1.55	0.645
FSIZxBIND	1.42	0.704
LEVGxBIND	1.38	0.725
LIQDXBIND	1.25	0.800
Mean VIF	1.78	

Source: Author's own elaboration

The Hausman test results in Table 5 confirm the suitability of the Fixed Effects (FE) estimator. The significant chi-square statistic ($\chi^2 = 18.450$, $p = 0.012$) indicates that FE is preferred over Random Effects (RE) due to the correlation between firm-specific omitted factors and the explanatory variables. This finding aligns with theoretical expectations in corporate governance research, where unobserved characteristics such as managerial philosophy, governance culture, and firm-specific risk tendencies are likely to correlate with financial and governance variables (Bebchuk & Weisbach, 2010; Ciftci et al., 2019). As Baltagi (2021) and Greene (2018) recommend, FE models are more appropriate when such unobserved heterogeneity is structurally embedded in the firm. By controlling for these time-invariant characteristics, the FE estimator improves the precision and unbiasedness of coefficient estimates, especially for firm-specific variables such as board independence and firm size. The significance of the Hausman test underscores the methodological rigor of the subsequent FE and moderated models presented in Tables 6 and 7.

Table.5.Hausman Specification Test

Chi-square test	18.450
P-value	0.012

Source: Author's own elaboration

The main effects model in Table 6 provides important insights into the determinants of share price. Firm size stands out as the only consistently significant determinant of share price, supporting resource-dependence theory (Pfeffer & Salancik, 1978) and confirming that larger firms enjoy valuation premiums due to scale advantages, operational stability, and stronger market visibility (Mensah et al., 2023; Zhu & Li, 2021). Profitability, liquidity, leverage, and board independence exhibit the expected signs but are not statistically significant. This pattern is consistent with documented information asymmetry and inefficiency in emerging markets, where market valuation is often weakly linked to internal fundamentals (Osarumwense & Ofeimun, 2021; Al-Shubiri, 2020). The persistent and significant influence of MARKET confirms the dominant role of market-wide conditions in shaping share prices, reflecting the broader macro-financial sensitivity of the Nigerian consumer goods sector (Akanbi et al., 2021). The GMM results further highlight significant share price persistence (lagged LSHPR = 0.612), supporting evidence of slow price adjustment due to thin trading, liquidity constraints, and other market frictions common in developing markets (Nguyen et al., 2020). Leverage's negative coefficient also aligns with capital structure theory, suggesting that higher debt may increase perceived risk (Sharma & Kumar, 2017). Overall, the main model suggests that external market forces and firm size exert a stronger influence on valuation compared to internal performance metrics.

Table.6.Panel Regression Results – Main Effects (LSHPR)

Variable	Expected Sign	(1) RE	(2) FE	(3) GMM
L.LSHPR				0.612***
				(0.000)
PROF	+	0.421	0.588	0.255
		(0.342)	(0.241)	(0.451)
LIQD	+	0.031	0.052	0.018
		(0.712)	(0.567)	(0.822)
LEVG	–	-0.041	-0.038	-0.025

		(0.105)	(0.152)	(0.287)
FSIZ	+	0.701***	0.821***	0.334**
		(0.000)	(0.000)	(0.011)
BIND	+	0.211	0.305	0.118
		(0.415)	(0.268)	(0.592)
MARKET	+	1.452***	1.501***	0.889***
		(0.000)	(0.000)	(0.000)
Constant		-5.012***	-6.234***	-1.845*
		(0.000)	(0.000)	(0.065)
R-squared		0.285	0.302	
Year FE		Yes	Yes	Yes
Hansen J (p-value)				0.215
AR(2) (p-value)				0.341

Note: *** p<0.01, ** p<0.05, * p<0.1; P-values in parentheses. All independent variables are lagged one period. GMM = Arellano-Bond Dynamic Panel Data estimator.

Source: Author's own elaboration

Finally, the moderated regression results reported in Table 7 reveal important conditional effects of board independence on the relationship between firm characteristics and share price. Profitability alone exerts a positive but statistically insignificant effect; however, its interaction with board independence is negative and statistically significant. This pattern supports agency theory (Jensen & Meckling, 1976). It is consistent with evidence reported by Dah and Frye (2017), suggesting that strong monitoring may constrain managerial flexibility and reduce the strategic valuation of profits. Conversely, the interaction between firm size and board independence is positive and significant, indicating that independent boards amplify the valuation benefits of firm size by enhancing oversight, improving strategic alignment, and reinforcing transparency (Hillman & Dalziel, 2003; Ehikioya, 2022). This finding aligns with prior studies indicating that independent directors function more effectively in large, resource-rich firms (Uwuigbe et al., 2021). The interaction effects involving liquidity and leverage are insignificant, suggesting that board independence does not meaningfully moderate the influence of short-term solvency or capital structure in this sector. The strong influence of market performance persists across the model. Overall, the moderated specification demonstrates that the effect of board independence on firm valuation is not uniform; instead, it operates through contingent mechanisms that strengthen the benefits of firm size while constraining the relationship between profitability and valuation.

Table.7.Moderated Model – Fixed Effects with Interaction Terms

Variable	Expected Sign	Coef.	St. Err.	t-value	p-value
PROF	+	0.712*	0.401	1.78	0.079
LIQD	+	0.048	0.089	0.54	0.589
LEVG	–	-0.041	0.027	-1.52	0.133
FSIZ	+	0.835***	0.155	5.39	0.000
BIND	+	0.288	0.224	1.29	0.201
PROF * BIND	±	-1.225**	0.598	-2.05	0.043
LIQD * BIND	±	0.102	0.131	0.78	0.438
LEVG * BIND	±	0.015	0.041	0.37	0.714
FSIZ * BIND	±	0.894***	0.321	2.78	0.006
MARKET	+	1.488***	0.228	6.53	0.000
Constant		-6.512***	1.245	-5.23	0.000

R-squared	0.387
F-statistic	12.45
Prob > F	0.000

Note: *** p<0.01, ** p<0.05, * p<0.1. All independent variables are lagged and mean-centered for interactions. Standard errors clustered by firm.

Source: Author's own elaboration

The marginal-effects plot (Figure-01) illustrates how the core firm-level variables influence share price after accounting for the full moderated fixed-effects model. First, profitability shows a positive but statistically weak marginal effect, indicating that while more profitable firms tend to experience higher share prices, the effect is modest and sensitive to governance interactions, consistent with the negative moderation effect observed in the regression output. Liquidity also shows a small, statistically insignificant marginal effect, suggesting that variations in current asset coverage do not systematically translate into changes in market valuation within the sample. Leverage maintains a negative marginal influence, aligning with theoretical expectations that higher debt levels increase financial risk and dampen investor confidence, although the confidence interval indicates the effect is not strongly significant. In contrast, firm size exhibits a consistently large and statistically significant marginal effect, confirming that larger firms benefit from stronger market visibility, greater earnings stability, and lower perceived risk, all of which the market rewards with higher share prices. Overall, the graph reinforces the regression findings that firm size and market-wide performance remain the dominant determinants of share price movements. At the same time, internal financial ratios have comparatively weaker explanatory power unless moderated by board independence.

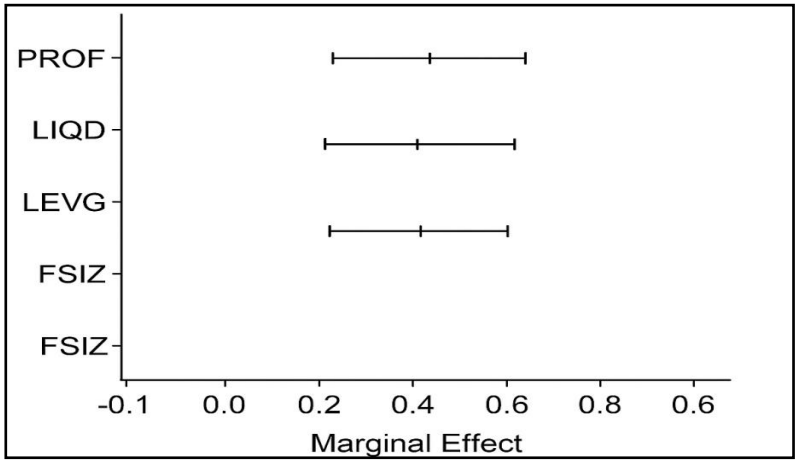

Figure.1.Marginal Effect Plots

Source: Author's own elaboration

4.2. Policy Implications

The findings underscore firm size as a primary determinant of share price, reflecting resource-dependence advantages and operational stability (Mensah et al., 2023; Zhu & Li, 2021). Policymakers should therefore incentivize mergers, strategic partnerships, and scaling initiatives in the consumer goods sector to strengthen firms' market presence. Larger firms benefit from economies of scale, superior managerial capacity, and stronger brand recognition, which collectively enhance investor confidence and valuation (Pfeffer & Salancik, 1978). Regulatory bodies, such as the Securities and Exchange Commission

and the Central Bank of Nigeria, can facilitate this by supporting industrial policies, favorable tax regimes, and streamlined capital-raising processes. Additionally, fostering transparent reporting standards and enhancing market infrastructure can increase the visibility of large firms' performance, thereby attracting domestic and foreign investment. By prioritizing policies that promote growth and consolidation, regulators can enhance sector stability and contribute to the broader objective of efficient capital allocation in emerging markets, where size often compensates for the prevalent information asymmetries in equity markets (Ogboi et al., 2022; Akanbi et al., 2021).

The moderated regression reveals that board independence amplifies the positive valuation effect of firm size while constraining the profitability–valuation link, suggesting a nuanced role of governance mechanisms (Hillman & Dalziel, 2003; Ehikioya, 2022). Policymakers should therefore refine corporate governance codes to enhance the effectiveness of independent directors, particularly in larger, resource-rich firms. This could involve mandatory training, performance evaluation, and stricter disclosure requirements to ensure that boards actively support strategic alignment rather than merely perform oversight (Uwuigbe et al., 2021; Dah & Frye, 2017). Additionally, differential governance requirements could be considered for smaller firms, where the benefits of board independence may not materialize due to resource constraints. By embedding governance policies that account for firm size and complexity, regulators can mitigate agency conflicts while promoting optimal decision-making, ultimately enhancing shareholder value and market confidence (Bebchuk & Weisbach, 2010; Adebayo et al., 2022).

Leverage negatively affects share prices, consistent with pecking-order and capital structure theories, reflecting higher perceived financial risk (Sharma & Kumar, 2017; Egbunike & Odum, 2023). Policymakers should encourage prudent debt management and the development of alternative financing instruments, such as equity crowdfunding or green bonds, to reduce overreliance on bank loans in emerging markets. Regulatory interventions could include incentives for debt restructuring, risk-based capital requirements, and the promotion of transparent debt reporting standards to reduce information asymmetry. Additionally, corporate policies emphasizing long-term financing strategies and optimal debt-to-equity ratios can support sustainable growth and protect market valuations. By integrating capital structure guidelines with corporate governance frameworks, regulators can mitigate the adverse effects of high leverage, ensuring that firms maintain flexibility to invest in innovation, expand operations, and stabilize market performance (Abdulkarim et al., 2019; Ross, 1977).

Although liquidity has an insignificant direct effect on share price, adequate liquidity remains essential for operational resilience and market confidence (Ayandele et al., 2022; Uwalomwa et al., 2021). Policymakers should promote financial prudence and short-term solvency management through regulatory guidance on cash reserves, liquidity ratios, and contingency funding plans. Financial institutions can support firms by designing instruments that optimize working capital without constraining investment capacity. Moreover, central banks and securities regulators could establish frameworks that encourage stress testing of liquidity positions and proactive risk disclosures, thereby enhancing market transparency. By embedding liquidity management within governance and reporting policies, regulators can reduce vulnerability to market shocks, prevent sudden valuation declines, and maintain investor trust (Saadaoui & Sassi, 2021; Ayandele et al., 2022).

The persistent and significant influence of market-wide performance on share prices underscores the sensitivity of Nigerian consumer goods firms to macroeconomic conditions (Akanbi et al., 2021). Policymakers should prioritize the development of robust capital markets, market-wide data analytics, and early warning systems to buffer firms against volatility. Regulatory frameworks that promote transparency, disclosure, and investor protection are essential to maintaining confidence during cyclical downturns. Additionally, macro prudential policies, including countercyclical capital buffers and sector-specific fiscal support, can stabilize firm valuations without distorting market signals. Encouraging diversified investment vehicles and hedging instruments can also mitigate the effects of systemic shocks. By addressing the intersection of firm-level characteristics and market-wide influences, policymakers can foster a more resilient financial environment, enhance the predictability of share prices, and support sustainable sector growth (Akanbi et al., 2021; Mensah et al., 2023). This holistic approach ensures that both firm-specific and macroeconomic risks are managed effectively, promoting long-term investor confidence and efficient capital allocation.

5. Discussion and Conclusion

This study provides comprehensive evidence on the determinants of share price in Nigerian consumer goods firms, emphasizing the conditional role of corporate governance mechanisms. The findings highlight that firm size and market-wide performance are the most consistent and significant drivers of valuation, confirming resource-dependence and market-sensitivity theories (Mensah et al., 2023; Zhu & Li, 2021; Akanbi et al., 2021). Profitability, liquidity, and leverage, while theoretically important, exhibit weaker direct effects on share prices, suggesting that internal financial metrics may be overshadowed by external market forces and firm visibility in emerging markets (Ogboi et al., 2022; Egbunike & Odum, 2023). Notably, board independence plays a nuanced, moderating role: it amplifies the positive valuation effect of firm size but dampens the profitability–valuation relationship, reflecting the trade-offs inherent in agency-based governance interventions (Hillman & Dalziel, 2003; Dah & Frye, 2017; Ehikioya, 2022). These results underscore the importance of contextualizing governance policies within firm-specific and macro-financial realities, particularly in environments characterized by market inefficiencies and thin trading (Nguyen et al., 2020; Osarumwense & Ofeimun, 2021).

The implications of this study extend to both practitioners and policymakers. For managers, the findings reinforce the strategic value of scaling operations, optimizing capital structures, and leveraging governance mechanisms effectively to maximize market valuation. For regulators, the evidence suggests that differentiated corporate governance codes, market transparency initiatives, and supportive financial policies can strengthen investor confidence and promote efficient capital allocation (Adebayo et al., 2022; Abdulkarim et al., 2019). By integrating firm-level strategies with macroeconomic considerations, policymakers can enhance sector resilience and mitigate the effects of market volatility on share prices.

Future research should explore several avenues to deepen understanding in this domain. First, longitudinal studies incorporating multiple sectors and cross-country comparisons would clarify the generalizability of governance and firm-specific effects on valuation in emerging markets (Ciftci et al., 2019; Brown & Caylor, 2019). Second, qualitative investigations could unpack the mechanisms through which board independence influences strategic decisions and market perceptions, providing richer insights into the governance–performance nexus (Uwuigbe et al., 2021; Ehikioya, 2022). Third,

incorporating behavioral and investor sentiment indicators could help explain why profitability and liquidity exhibit limited direct effects on share prices in contexts characterized by information asymmetry (Osarumwense & Ofeimun, 2021; Al-Shubiri, 2020). Finally, examining the impact of emerging financial technologies, such as digital financing and real-time market analytics, on share price dynamics could provide actionable insights for both managers and regulators seeking to enhance market efficiency.

Author Contributions

Emmanuel I. Oyasor: Conceptualization, Drafting, Analysis, Revision, and Editing

Funding

The author received no external funding.

Conflicts of Interest

No conflict of interest.

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