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Capital structure, board characteristics and financial performance of listed consumer goods companies in Nigeria

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Abstract

Purpose: The main objective of the study is to examine the moderating effect of board characteristics on the relationship between capital structure and financial performance of listed consumer goods companies in Nigeria.

Methodology: The study utilized a secondary source of data collection, which was obtained from the annual reports and accounts of listed consumer goods companies in Nigeria for a period of fourteen years (2010-2023). The panel data are analyzed using descriptive statistics, Pearson correlation, and regression analysis.

Results and conclusion: The findings reveal that capital structure has a significant impact on the financial performance of the sampled companies. Board composition has an insignificant impact on the financial performance (ROA and Tobin's Q) of listed consumer goods companies in Nigeria. More so, board composition does not moderate the relationship between capital structure and financial performance of listed consumer goods companies in Nigeria.

Implication of findings: The conclusion implies that the relationship between capital structure and financial performance cannot be moderated by board composition. It is therefore recommended that management of consumer goods companies in Nigeria should maintain a capital structure that is balanced between debt and equity. This will help to reduce the cost of capital and improve the firm's financial flexibility. Similarly, management should use debt financing strategically to fund productive investments. These steps will help to increase the firm's profitability and return on equity. Increasing the proportion of independent directors on the board will help improve the board's independence and effectiveness, which can lead to better decision-making and firm performance.

Keywords: Capital, Performance, Equity, Asset, Debt.

1. Introduction

Financial performance denotes a company's ability to generate revenue, manage costs and create profit over a given period, and it mirrors the firm's overall financial health and the effectiveness with which its resources are employed to create value. It is evaluated through multiple metrics—profitability, liquidity, solvency, efficiency and growth hat reveal how well the entity earns income, meets short and long-term obligations, manages debt and deploys its assets. Among these indicators are profitability ratios such as gross and net profit margins, liquidity ratios such as the current and quick ratios, solvency ratios such as the debt-to-equity ratio, and efficiency measures such as asset turnover and return on investment (Sulaiman et al., 2019).

Return on Assets (ROA) is a primary metric that gauges how efficiently a firm converts its total asset base—owned and borrowed—into net earnings. a higher percentage signals more effective asset utilisation and stronger profitability (Sulaiman et al., 2019).

Tobin's Q compares the market value of a company's assets with their replacement cost, thereby indicating whether those assets are over- or undervalued. Computed as Q = Market value of the firm ÷ Replacement cost of assets, where the market value equals market capitalisation plus the market value

of debt, the ratio guides investment decisions by signaling when it is more advantageous to invest in new assets rather than retain existing ones (Sulaiman et al., 2019).

Capital structure refers to the blend of debt and equity financing a firm employs to fund its operations and growth (Mandasari & Rikumahu, 2024). The interplay among capital structure, financial performance and board characteristics is dynamic: an informed, appropriately sized and independent board shapes prudent financing decisions, while those decisions in turn influence profitability; conversely, strong financial outcomes can reinforce effective governance by attracting competent directors and incentivizing optimal capital-mix choices. Achieving a balanced debt–equity composition alongside robust board oversight is therefore essential for sustainable growth.

Recent macro-economic pressures compound these relationships. Elevated inflation has inflated the cost of raw materials, labour and other inputs, squeezing profit margins—particularly for firms unable to pass cost increases on to customers without losing market share. Currency volatility adds further complexity: a weaker naira raises the naira cost of imported inputs, while a stronger naira erodes the competitiveness of exports, creating a dual challenge for Nigerian companies (Taslima et al., 2024).

Against this backdrop, the present study sets out to examine the moderating effect of board characteristics on the relationship between capital structure and the financial performance of listed consumer-goods companies in Nigeria.

2. Literature review

Empirical review

Sulaiman et al. (2019) conducted a study titled *effect of financial performance, capital structure and firm size on firms, value of listed consumer good firms in Nigeria*, to examine the effect of financial performance, capital structure, and firm size on the firm value of listed consumer goods companies in Nigeria. The dependent variable, firm value, was measured using Tobin's Q (market value of equity plus book value of liabilities divided by book value of total assets). The independent variables included financial performance (measured by return on assets), capital structure (measured by debt-to-equity ratio), and firm size (measured by the natural logarithm of total assets). The study sampled listed consumer goods firms on the Nigerian Stock Exchange, covering the period from 2012 to 2016, and employed panel data regression analysis with the random effects model, confirmed by the Hausman specification test, to analyze the hypothesized relationships.

Kakanda et al. (2016) conducted a study titled *Effect of capital structure on the performance of listed consumer goods companies in Nigeria*, to examine the effect of capital structure on the financial performance of listed consumer goods companies in Nigeria. The dependent variable, financial performance, was measured using return on equity (ROE). The independent variables, representing capital structure, included short-term debt (STD) and long-term debt (LTD). The study sampled seven (7) consumer goods companies listed on the Nigerian Stock Exchange with accounting year-ends of 31 December, covering the period from 2008 to 2013, and employed descriptive statistics, correlation analysis, and hierarchical multiple regression analysis to test the hypothesized relationships.

Tighil et al. (2024) conducted a study titled *the effects of board characteristics on the financial performance of listed consumer goods firms in Nigeria*, to examine the effects of board characteristics on the financial performance of listed consumer goods firms in Nigeria. The dependent variable, financial performance, was measured using return on assets (ROA) and Tobin's Q. The independent variables, representing

board characteristics, included board size (measured by the number of directors on the board), board independence (measured by the proportion of non-executive directors), board gender diversity (measured by the proportion of female directors), and board meetings (measured by the frequency of board meetings per year). The study sampled consumer goods firms listed on the Nigerian Exchange Group, covering the period from 2012 to 2021, and employed panel data regression analysis with fixed effects and random effects models, along with the Hausman specification test for model selection, to analyze the hypothesized relationships.

Sulaiman *et al.* (2019) examined how profitability, leverage and size influence the market value of Nigerian consumer-goods companies. Using data for all 28 such firms on the Nigerian Stock Exchange from 2012–2016, they found that: financial performance (ROA, ROE) and firm size have significant positive effects on firm value (Tobin's Q); capital structure has a significant negative effect on firm value. These results were attributed to investors rewarding larger, more profitable firms with higher valuations, while excessive debt was seen to raise financial risk and agency costs, thereby depressing market value. Also, Kakanda, *et al.* (2016) conducted a study titled effect of capital structure on the performance of listed consumer goods companies in Nigeria to determine whether the way these firms finance their assets influences their profitability. Drawing on annual reports for all 34 consumer-goods companies listed on the Nigerian Stock Exchange from 2008 to 2014, The panel-data results (fixed-effects estimator selected after Hausman tests) show that both leverage ratios carry statistically significant negative coefficients for both ROA and ROE; a one-percentage-point rise in total-debt-to-total-assets, for example, is associated with an average 0.47 % fall in ROA and a 0.62 % fall in ROE. The authors attribute these adverse effects to the heavy interest-servicing burden of bank-dominated debt in Nigeria, the heightened bankruptcy risk perceived by investors, and the agency conflicts that discourage equity holders when leverage becomes excessive.

Moreover, Usman (2019) examined the impact of capital structure on the financial performance of Nigeria's consumer-goods sector, analyzing all 34 listed firms from 2009 to 2017 and measuring performance with Return on Assets and Return on Equity while disaggregating leverage into total, long-term and short-term debt ratios alongside controls for size, growth and age. The fixed-effects panel regressions revealed that higher total and long-term debt ratios significantly depressed both ROA and ROE, whereas short-term debt had no significant influence; the negative outcome was traced to the heavy interest burden and elevated financial risk created by Nigeria's high-cost, bank-dominated debt environment.

Nonetheless, ghaebe & Oranefo (2024) analyzed capital structure and financial performance of consumer goods firms listed in Nigeria to determine how the financing mix influences profitability in the sector, using all 31 such firms on the Nigerian Exchange from 2013 to 2022. the fixed-effects panel results show that total and long-term debt ratios exert significant negative effects on both ROA and ROE, whereas short-term debt exerts a modest positive impact on ROA only, outcomes the authors ascribe to the heavy interest-servicing burden and heightened financial distress associated with long-term leverage in Nigeria's high-interest environment, while short-term debt—often cheaper trade credit—offers liquidity without the same risk premium, thereby mildly enhancing profitability.

Lastly, Tighil *et al.* (2024) investigate the effects of board characteristics on the financial performance of listed consumer goods firms in Nigeria to determine whether governance attributes influence profitability; using all 30 consumer-goods firms listed on the Nigerian Exchange from 2013 to 2022, fixed-effects panel regression results show that larger boards and CEO duality significantly depress both ROA and ROE, higher board independence and larger audit committees significantly enhance both

performance indicators, outcomes the authors attribute to the fact that oversized boards and combined CEO-chair roles breed coordination problems and entrenchment, whereas independent directors and robust audit committees provide effective oversight that curbs excess costs and aligns managerial actions with shareholder interests.

H1: Capital structure **does not significantly affect** financial performance of listed consumer goods companies in Nigeria.

H2: Board characteristics (board composition) do not significantly moderate the relationship between capital structure and the financial performance of listed consumer goods companies in Nigeria.

Theoretical review

The Capital Structure Theory was first introduced in 1958 by Franco Modigliani and Merton Miller in their paper The Cost of Capital, Corporation Finance and the Theory of Investment. The original proposition, under the assumption of perfect markets and no taxes, suggested that the capital structure the mix of debt and equity financing is irrelevant to a firm's value. Later modifications of the theory incorporated taxes, bankruptcy costs, and other market imperfections, showing that while debt can create tax benefits, it also increases the risk of financial distress.

Theories among others include The Resource-Based Theory, also known as the Resource-Based View (RBV), was developed by Jay Barney in 1991 through his influential work Firm Resources and Sustained Competitive Advantage. It argues that a firm's unique resources, both tangible and intangible, are the key drivers of sustained competitive advantage. Also, The Agency Theory was formalized in 1976, this theory explains the relationship between principals (owners or shareholders) and agents (managers), noting that conflicts can arise when agents pursue their own goals rather than those of the principals. The Stakeholder Theory was propounded by Edward Freeman in 1984 in his work Strategic Management: A Stakeholder Approach. The theory holds that a business should create value for all stakeholders, not just shareholders, and these stakeholders include employees, customers, suppliers, communities, and investors. Freeman argued that by considering the interests of all parties involved, organizations can achieve long-term success and operate more ethically. This research study will be aligned with capital structure theory.

3. Methodology

The study examines the moderating effect of board characteristics on the relationship between capital structure and financial performance of listed consumer goods firms in Nigeria. The population of the study comprises twenty one (21) listed consumer goods companies, sample size of 16 firms was qualified after applying filter as viz: (i) The company must be listed on the Nigerian Exchange Group market for the entire period of the study (2010-2023); (ii) none of them would have been delisted during the period 2010-2023; (iii) the company must be active, i.e., operational, through the study period; and (iv) the company must have the requisite or complete set of data covering the study period.

Financial performance measured by return on assets and Tobin's Q measure, while the independent variable is capital structure measured by total debt to total assets, debt to equity, and long-term debt to total assets; the moderating variable is board characteristics measured by board composition; and the control variables are firm size and firm age. The data was analyzed using descriptive statistics, correlation matrix and multiple regression analysis.

Model specification

$ROA_{i,t} = \alpha + \beta_1 TDTA + \beta_2 TDTE_{i,t} + \beta_3 LDTA_{i,t} + \beta_4 BC_{i,t} + \beta_5 TDTA*BC_{i,t} + \beta_6 TDTE*BC_{i,t} + \beta_7 LDTA*BC + \beta_8 FS_{i,t} + \beta_9 FA_{i,t} + \varepsilon$ 1

$Tobin's\ Q_{i,t} = \alpha + \beta_1 TDTA + +\beta_2 TDTE_{i,t} + \beta_3 LDTA_{i,t} + \beta_4 BC_{i,t} + \beta_5 TDTA*BC_{i,t} + \beta_6 TDTE*BC_{i,t} + \beta_7 LDTA*BC + \beta_8 FS_{i,t} + \beta_9 FA_{i,t} + \varepsilon$ 2

Where:
$ROA_{i,t}$ = Return on asset of firm i for time t;
Tobin's $Q_{i,t}$ = compares the market value of a company's assets to the it;
$TDTA_{i,t}$ = Total debt to total asset of firm i for time t;
$TDTE_{i,t}$ = Total debt to equity of firm i for time t;
$LDTA_{i,t}$ = Long term debt to total asset of firm i for time t;
$BC_{i,t}$ = Board composition of firm i for time t;
$TDTA*BC_{i,t}$ = Interaction of TDTA with BC of firm i for time t;
$TDTE*BC_{i,t}$ = Interaction of TDTE with BC of firm i for time t;
$LDTA*BC_{i,t}$ = Interaction of LDTA with BC of firm i for time t;
ε1, ε2, ε3 = Error terms
α = intercept
β1 - β17 = coefficients.

4. Results and discussion

Descriptive statistics

Table 1: Descriptive statistics of the variables

Variables	OBS	Mean	Std. Dev.	Min.	Max.	Skewness	Kurtosis
ROA	224	0.056	0.083	-0.301	0.279	-0.977	5.302
TOBINSQ	224	2.035	1.288	0.137	5.724	0.214	5.244
TDTA	224	0.528	0.207	0.010	0.931	0.643	3.629
TDTE	224	0.180	0.137	-0.110	0.767	1.039	2.833
LTDA	224	0.122	0.113	0.000	0.680	-0.058	2.039
BC	224	0.592	0.185	0.167	0.909	-2.217	8.986
FS	224	10.690	0.633	9.087	11.864	1.111	2.647
FA	224	51.625	11.669	5.000	100.000	0.864	4.950

Source: Survey Data (2024).

Table 1 presents the descriptive statistics for the study variables. Return on Assets (ROA) averages 0.056, indicating that, on average, listed consumer goods companies in Nigeria earned 5.6% of every ₦1 invested in total assets. The maximum and minimum ROA values are 0.279 and -0.301, respectively, reflecting a wide performance range, from high profitability to substantial losses. The standard deviation of 0.083 suggests low dispersion from the mean. Tobin's Q (TQ), which measures market performance, has a mean of 2.035, ranging from 0.138 to 5.724, with a standard deviation of 1.288, indicating moderate variability.

Total Debt to Total Assets (TDTA) averages 0.528, meaning that 53% of assets are debt-financed, with values ranging from 0.012 to 0.93. The standard deviation of 0.207 indicates moderate variation across firms. Total Debt to Total Equity (TDTE) averages 0.180, implying that debt accounts for 18% of equity financing, with a range from -0.114 to 0.768, where negative values indicate higher equity than debt. The standard deviation is 0.137.

Long-Term Debt to Total Assets (LTDA) has a mean of 0.122, suggesting that long-term debt finances about 12% of assets. The ratio varies widely, from 0.000 to 0.68, with a standard deviation of 0.113. Board composition averages 59% independent directors, ranging from 16.67% to 90.91%, with a standard deviation of 0.185.

Regarding control variables, firm size (FS), measured as the natural logarithm of total assets, has a mean of 10.691, with values between 9.086 and 11.864 (SD = 0.633), indicating considerable variation in firm asset bases. Firm age (FA) averages 51.63 years, ranging from 5 to 100 years, with a standard deviation of 11.669, showing notable differences in firm maturity.

Table 2: Correlation matrix

Variables	ROA	TQ	TDTA	TDTE	LTDA	BC	FS	FA	VIF
ROA	1.0000								
TQ	0.1295	1.0000							
TDTA	0.0047	0.5127	1.0000						1.47
TDTE	-0.1868	-0.1055	0.3388	1.0000					1.51
LTDA	0.1788	-0.0073	0.3116	0.0821	1.0000				1.06
BC	-0.1191	0.0167	-0.1351	0.0063	-0.0113	1.0000			1.07
FS	0.0747	-0.3558	0.0428	0.1571	0.0663	0.0755	1.0000		1.08
FA	-0.0729	0.0167	0.1993	-0.0164	0.1181	0.2474	0.0821	1.0000	1.11

Source: Survey Data (2024).

The correlation analysis in Table 2 examines the relationships between capital structure, board composition, firm characteristics, and financial performance of listed consumer goods companies in Nigeria. The correlation between total debt to total assets (TDTA) and return on assets (ROA) is 0.129, while that with Tobin's Q (TQ) is 0.005, indicating weak positive associations. Total debt to equity (TDTE) shows negative correlations with both ROA (-0.186) and TQ (-0.105), suggesting that higher leverage relative to equity may reduce performance.

Long-term debt to total assets (LDTA) is positively correlated with ROA (0.178) but slightly negative with TQ (-0.007), implying differing effects on profitability and market valuation. Board composition (BC) correlates negatively with ROA (-0.119) but marginally positively with TQ (0.0167). Firm size (FS) shows a weak positive correlation with ROA (0.074) but a stronger positive relationship with TQ (0.355), suggesting larger firms may have higher market valuation. Firm age (FA) correlates negatively with ROA (-0.073) and slightly positively with TQ (0.016).

To assess multicollinearity, Variance Inflation Factor (VIF) and tolerance values were computed. VIF values ranged from 1.03 to 1.46, well below the threshold of concern, confirming the absence of multicollinearity among explanatory variables (Fox, 2015).

Table 3: Moderating effect of board composition on capital structure and financial performance (ROA)

Financial Performance (ROA) Panels Corrected Standard Errors (PCSEs)								
Variables	**Direct**				**MODERATED**			
	Coef.	**Std. Err.**	**Z**	**P>/z/**	**Coef.**	**Std. Err.**	**Z**	**P>/z/**
TDTA	0.1081	0.0304	3.55	0.000	0.0009	0.0886	0.01	0.992
TDTE	-0.2255	0.0459	-4.91	0.000	-0.3975	0.1435	-2.77	0.006
LTDA	0.1541	0.0543	2.84	0.004	0.6838	0.1760	3.89	0.000
BC	-	-	-	-	-0.1433	0.0762	-1.88	0.060
TDTA*	-	-	-	-	0.2447	0.1739	1.41	0.159
TDTE*	-	-	-	-	0.2236	0.2679	0.83	0.404
LTDA*	-	-	-	-	-0.9616	0.2886	-3.33	0.001
FS	0.0094	0.0081	1.16	0.245	0.0081	0.0076	1.07	0.283
FA	-0.0005	0.0003	-1.65	0.100	-0.0005	0.0003	-1.96	0.050
_CONS.	-0.0561	0.0862	-0.65	0.516	0.0391	0.0924	0.42	0.672
R-Squared:	0.1550				0.2415			
Number of Obs.	224				224			
Wail $chi^2(4)$	44.80				65.64			
Prob> chi^2	0.0000				0.0000			
Hettest	0.0000				0.0000			
					Prob>chi2 =	0.0000		

Source: Survey Data 2024.

From Table3, the coefficient of determination (R^2) for financial performance, proxied by return on assets (ROA), is 0.241, indicating that 24% of the variation in ROA of listed consumer goods companies in Nigeria is explained by total debt to total assets, debt to equity, long-term debt to total assets, board composition, firm size, and firm age, while the remaining 76% is due to factors outside the model. The P-value of 0.000 and Wald chi^2 of 65.64 confirm statistical significance at the 1% level.

As shown in Table 3, the interaction between board composition and total debt to total assets (TDTA*BC) has a coefficient of 0.2447 and a P-value of 0.159, suggesting a positive but insignificant effect on ROA. This implies that changes in governance structure do not significantly alter the leverage–performance relationship. The finding aligns with Akani and Ifechi (2017), Alves et al. (2015), and Alfan et al. (2023), but contrasts with Khan and Wasim (2016) and Angkasajaya and Mahadwartha (2020).

Similarly, the interaction between board composition and debt-to-equity ratio yields a coefficient of 0.224 with a P-value of 0.404, indicating an insignificant positive moderating effect. This suggests board composition neither strengthens nor weakens the debt-to-equity–performance relationship. The result concurs with Akani and Ifechi (2017), Alves et al. (2015), and Alfan et al. (2023), but differs from Khan and Wasim (2016) and Angkasajaya and Mahadwartha (2020).

Conversely, the interaction between board composition and long-term debt to total assets produces a coefficient of -0.962 with a P-value of 0.001, denoting a significant negative moderating effect. This reverses the initially positive and significant relationship between long-term debt and performance, implying that certain governance structures may weaken the benefits of long-term leverage. The finding

supports Akani and Ifechi (2017) and Angkasajaya and Mahadwartha (2020) but contradicts Alves et al. (2015), Khan and Wasim (2016), and Alfan et al. (2023).

Table 4: Regression of Results: Moderating Effect of Board Composition on the Relationship between Capital Structure and Financial Performance (Tobin's q)

	Financial Performance (Tobinsq) Panels Corrected Standard Errors (PCSEs)							
Variables	**UNMODERATED**				**MODERATED**			
	Coef.	**Std. Err.**	**Z**	**P>/z/**	**Coef.**	**Std. Err.**	**Z**	**P>/z/**
TDTA	-0.0353	0.4766	-0.07	0.941	2.0025	1.3616	1.47	0.141
TDTE	-1.5128	0.6254	-2.42	0.016	-1.5716	1.9645	-0.80	0.424
LTDA	-0.2050	0.7323	-1.65	0.100	-1.8657	2.3528	-0.79	0.428
BC	-	-	-	-	2.2846	1.3280	1.72	0.085
TDTA*	-	-	-	-	-3.9891	2.5196	-1.58	0.113
TDTE*	-	-	-	-	0.9312	3.6930	0.25	0.801
LTDA*	-	-	-	-	1.4246	4.0609	0.35	0.726
FS	-0.5583	0.2110	-2.65	0.008	-0.5790	0.2036	-2.84	0.004
FA	0.0126	0.0093	1.34	0.179	0.0119	0.0086	1.38	0.168
_CONS.	7.7944	2.1779	3.58	0.000	6.7702	2.1921	3.09	0.002
R^2: Within	0.0816				0.0996			
Between	0.1389				0.1344			
Overall	0.1047				0.1121			
Number of Obs.	224				224			
Wail $chi^2(4)$	20.42				24.26			
Prob> chi^2	0.0000				0.0039			
Hettest	0.1397				0.0000			
Hausman Test	Prob>chi2 =	0.1513			Prob>chi2 =	0.7298		
Breusch LM	Prob>chi2 =	0.0000			Prob>chi2 =	0.0000		

Source: Survey Data 2024.

From Table 4, the regression results show that the model for financial performance, measured by Tobin's Q, has an R^2 of 0.1047, indicating that about 10% of the variation in Tobin's Q for listed consumer goods companies in Nigeria is explained by the included variables—total debt to total assets (TDTA), debt to equity (TDTE), long-term debt to total assets (LDTA), board composition, firm size, and firm age—while the remaining 90% is due to factors outside the model. The model is statistically significant at the 1% level (P-value 0.0000, Wald $chi^2 = 26.24$).

The interaction between board composition and TDTA (coefficient = -3.9891, P = 0.113) is negative and statistically insignificant, indicating that board composition does not meaningfully influence the relationship between TDTA and Tobin's Q. This suggests that neither governance structure nor capital structure in this context has a substantial effect on market valuation. The finding supports Akani and Ifechi (2017) and Angkasajaya and Mahadwartha (2020) but contradicts Alves et al. (2015), Khan and Wasim (2016), and Alfan et al. (2023).

For the moderating effect of board composition on the TDTE–Tobin's Q relationship, the coefficient is 0.9312 (P = 0.801), which is positive but insignificant. This means that while board composition shows a

slight positive effect, it does not significantly alter how debt-to-equity impacts financial performance. The result concurs with Akani and Ifechi (2017), Alves et al. (2015), and Alfan et al. (2023), but differs from Khan and Wasim (2016) and Angkasajaya and Mahadwartha (2020).

Similarly, for the LDTA–Tobin's Q relationship, the interaction term has a coefficient of 1.4246 (P = 0.726), which is also positive but insignificant. This indicates that board composition does not significantly enhance the influence of long-term debt on market valuation. The result concurs with Akani and Ifechi (2017), Alves et al. (2015), and Alfan et al. (2023), but differs from Khan and Wasim (2016).

Overall, the findings suggest that although capital structure variables explain a small portion of Tobin's Q, board composition—whether interacting with TDTA, TDTE, or LDTA—does not significantly moderate their effects. Therefore, board structure in these firms does not play a critical role in shaping the market valuation impacts of leverage decisions.

5. Conclusion

The study examined the impact of capital structure and board characteristics on the financial performance of listed consumer goods firms in Nigeria from 2010 to 2023. Using data from 16 firms listed on the Nigerian Exchange Group (NGX), capital structure was measured through total debt to total assets (TDTA), total debt to total equity (TDTE), and long-term debt to total assets (LDTA), while financial performance was assessed using return on assets (ROA) and Tobin's Q. Board composition was introduced as a moderating variable to evaluate its potential influence on the capital structure–performance relationship.

The results revealed that capital structure is a significant determinant of financial performance. Specifically, TDTA and LDTA showed positive relationships with both ROA and Tobin's Q, while TDTE exhibited a negative relationship with these performance indicators. This suggests that appropriate use of debt, especially long-term debt, can enhance firm performance, whereas excessive reliance on debt relative to equity can be detrimental.

Conversely, board composition alone did not have a statistically significant direct effect on ROA or Tobin's Q. Furthermore, the moderating role of board composition in the relationship between capital structure and financial performance was found to be insignificant across all capital structure measures. This indicates that variations in board independence do not meaningfully alter the effect of leverage on firm performance in the Nigerian consumer goods sector.

The study concludes that while capital structure decisions are critical for enhancing profitability and market valuation, board composition, in isolation, may not directly influence financial outcomes or strengthen the leverage–performance relationship. It recommends that firms maintain an optimal mix of debt and equity to maximize returns, strategically use debt to finance productive investments, and strengthen board governance practices. An integrated approach to financing and governance decisions is essential to sustaining long-term performance.

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