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NEXUS BETWEEN AGENCY COST AND FINANCIAL PERFORMANCE OF LISTED MANUFACURING FIRMS IN NIGERIA

OLASUMBO MARYAM BELLO-OLATUNJI[1], ABDULLAHI ADIGUN ISMAHEEL[2], LUKMON ADEWALE ADEOYE[3], FADEKEMI RUTH OLU-AKINOLA[4]& OLAYINKA OLAYEMI AJIBOYE[5].

Fountain University Osogbo, Osun State Nigeria[1], Ladoke Akintola University of Technology Ogbomoso, Oyo State Nigeria[2], Osun State University, Osogbo, Osun State Nigeria[3], Bowen University, Iwo, Osun State, Nigeria[4], Osun State College of Education Ila-Orangun, Osun State, Nigeria[5]

maryamolasumbo@gmail.com[1], aaismaheel@lautech.edu.ng[2], mailwaleadeoye1@gmail.com[3], fadekemi.olu-akinola@bowen.edu.ng[4], ajiboye44@gmail.com[5]

Abstract

This study explored the nexus between agency costs and financial performance of listed manufacturing firms in Nigeria from 2015 to 2022, with a focus on the firms listed in the consumer goods (CG) sector. The sample size for this study was 20 firms out of the 21 listed CG firms in Nigeria. Purposive sampling techniques was used in this study. The data estimate tools employed in this investigation were multiple regression analysis and descriptive statistics. Board compensation (BCP), asset utilization ratio (ATR) and administrative expenses ratio (ADE) were used as proxy of agency costs whereas ROA was used to proxy financial performance. BCP and ADE were found to have a negative and significant connection with ROA as demonstrated by t-stats and p-values of (-2.54, -2.76) and (0.011, 0.006) correspondingly. Whereas ATR was found to have a positive and significant effect on ROA evidenced with t-stat and p-val. of (2.03, 0.042) respectively. Thus, this concluded that agency costs have the tendency to influence the financial performance of listed CG *firms in Nigeria. Based on the outcomes of this study, the following recommendations are proposed; Firms should eliminate unnecessary administrative expenses, they should prioritize asset maintenance in other to ensure that the facilities remain operational and efficient. Lastly, board compensation should be fair and performance measures criteria should be clearly stated.*

Keywords: Administrative Expenses, Agency Cost, Asset Utilization Ratio, Board Compensation, Return on Assets.

1. INTRODUCTION

Agency costs are the costs associated with stakeholder conflicts of interest, such as those between managers and shareholders, wherein managers may put their personal interests ahead of the shareholders' (Bebchuk & Fried, 2003). According to Sdiq and Abdullah (2022), firms incur costs due to conflicts of interest between many stakeholders, especially between principal and agent. This expense is well recognized in the corporate world and can be logically explained by the agency cost theory. This was supported by Eboiyehi and Willi (2018), who noted that agency costs can arise between debt holders and shareholders or between external shareholders and internal management. While the principle seeks to maximize his own wealth, the agent typically wants to maximize his own benefit by growing his personal wealth and employment security (Abdulah & Tursoy, 2022). Olagunju et al.

(2021) highlighted that when a company's managers also have ownership of the business, there would be less conflicts of interest between the objectives of the organization and the managers' own aims. Direct and indirect costs make up agency costs. The specific costs incurred to reduce conflicts of interest between principals and agents are known as direct agency charges. Among these are the costs associated with bonding, monitoring, and compensation incentives. Conversely, indirect agency costs are subtler in nature and more challenging to measure. They result from agency problems that negatively impact the value and performance of the company. The price of lost opportunities, the decline in the confidence and trust of shareholders, and the directors' inability to make cost-effective investments are examples of indirect costs (Chinelo &Iyiegbuniwe, 2018 and Olagunju et al. 2021).In the United States, it has been discovered that the presence of outside directors' increases agency costs. Although agency expenses are higher in public companies in Nigeria than in private ones, this might be because, in the vast majority of private companies in Nigeria, the shareholders also serve as the company's managers (Olagunju & Adenle, 2021).

However, the indices utilized in this study to calculate agency costs are asset usage ratio, board compensation, and administrative costs. The payments, perks, and incentives given to members of a company's board of directors in exchange for their services and obligations is known as board compensation. According to Adams and Mehran (2012), companies can lessen conflicts of interest and advance good corporate governance by ensuring that directors' interests are aligned with those of shareholders through suitable remuneration arrangements. The costs of running a firm, such as office rent, utilities, supplies, salaries for administrative staff, and other overhead costs, are referred to as administrative expenses (Olagunju et al., 2021). According to Adams and Mehran (2012), an excessive or poorly managed administrative expense budget may indicate possible agency issues inside the company. Overspending on administrative expenses could be a sign of poor management, oversight, or misappropriation of corporate funds, all of which drive up agency costs. The asset turnover ratio, sometimes referred to as the asset utilization ratio, gauges how well a business uses its assets to produce sales revenue (Chen & Xu, 2020). It is also acknowledged as an indicator of management ability to use the company's resources effectively, and it has an inverse relationship with agency costs (Chen & Yur-Austin, 2007). According to Chen and Xu (2020), a firm's agency expenses may be impacted by its asset utilization ratio. A greater asset utilization ratio denotes efficient management and best use of resources, which may suggest management stewardship and maybe reduced agency expenses.

In addition, Olagunju et al. (2021) define financial performance as the process of gauging the firm's ability to create income from its available assets. Financial performance refers to the range of techniques used to evaluate the overall health, profitability, and efficiency of a company. It comprises metrics like return on equity, profitability margin, growth in sales, and return on assets, among others. According to Wang and Liu (2024), stakeholders can assess a company's resource management and value creation for shareholders by looking at its financial performance. Firm performance is dynamically crucial for investors, stakeholders, and the economy overall, according to Nuhu et al. (2020).Investors place a great deal of importance on return on investment, and a successful company can provide enormous profits over the long run. One compelling and important topic of corporate governance is the relationship between agency costs and financial success. Chen and Xu (2020) found that there is a negative correlation between lower financial performance and higher agency charges. In

a similar vein, Zhang and Li (2021) contended that better corporate governance practices will lower agency costs and increase financial performance. According to Armstrong and Guay (2010), high board compensation could be an indication of agency issues that will have a detrimental impact on financial performance.

Moreover, administrative costs have a propensity to impact business performance; according to Li et al. (2021), greater administrative costs might lower profitability and depress stockholder value. Chen and Xu (2020) have shown that companies with higher asset utilization likely to generate better profitability and overall financial health. Higher asset utilization is positively connected with greater performance, as Li et al. (2021) also attested to. Agency costs have a good or negative impact on a company's financial performance, according to Olagunju and Adenle (2022). The majority of businesses in Nigeria's consumer products industry struggle to identify agency expenses, and some even struggle to figure out how to lower agency costs. One of the expenses that an organization bears that has a bigger influence on the impact of the corporation is agency costs. Organizations usually try to cut expenditures to the lowest possible level while also making sure they didn't accrue undue administrative charges. Nonetheless, a number of studies have looked at the relationship between agency costs and financial performance in both industrialized and developing countries, including those by Nuhu et al. (2020), Olagunju et al. (2021), Olagunju and Adenle (2022), Khidmat and Rehman (2014), Kontuš (2021), Mutende (2018), Pandey and Sahu (2019), Sdiq and Abdullah (2022).Only a small number of the aforementioned studies were found to have employed two or more indices to assess agency costs; the majority of these studies instead used administrative expenses, board compensation, or asset usage as a proxy for quantifying agency costs. These research' divergent approaches and scopes have led to contradictory results. As a result, this study closes a research gap by examining the impact of agency costs on the financial performance of Nigerian listed manufacturing companies. Board compensation, administrative costs, and asset utilization ratio are the three metrics used in this study to measure agency costs. This study fills up the gap in terms of regency as well; it spans eight years, from 2015 to 2022. This study will be very significant to investors, industrial enterprises, academics, and research students. This study specifically looks at how agency costs affect the financial performance of Nigerian listed manufacturing companies.

2. LITERATURE REVIEW

Conceptual review

Agency Costs

Agency cost, according to Salami et al. (2023), is the internal expense experienced by the company as a result of a conflict of interest between the primary (shareholders) and the agent (management team). This suggests that in exchange for the managers' effective management of the shareholders' interests, the shareholders pay agency costs to the managers. Olagunju et al. (2021) further underlined that agency costs are internal expenses that stem from conflicts of interest between an organization's owners (principals) and managers (agents), which arise from a misalignment of interests between the managers and shareholders of the company. Islam et al. (2010) and Salami et al. (2023) define agency expenses as bonding fees, monitoring fees, and residual losses. According to Chinelo and Iyiegbuniwe (2018), agency cost is important because it mitigates the effects of agency problems. The agency cost used as a proxy in this study is the asset utilization ratio, board compensation, and administrative expense ratio. According to Junaidu and Sanni (2014), executive directors receive additional non-

monetary awards in addition to monetary perks as compensation for their contributions to the organization on the board. Usually consisting of a mix of compensation, bonuses, shares of company stock, benefits, and privileges, this is ideally planned to account for tax laws, government rules, the management of the organization's preferences, and performance-based awards. The governance structure of the corporation usually determines this compensation, frequently with participation from the compensation committee (Adams & Mehran, 2012).

Furthermore, administrative expenses are costs incurred by a business that are not inextricably linked to a particular activity, like manufacturing, sales, or production. The expenditures associated with general services, such as accounting and information technology, as well as general repair and maintenance, office maintenance, and other charges are included in administrative expenses. Furthermore, managers can readily control administrative costs to suit their own interests (Olagunju et al. 2021). According to Chen and Xu (2020), a firm's agency expenses may be impacted by its asset utilization ratio. A greater asset utilization ratio denotes efficient management and best use of resources, which may suggest management stewardship and maybe reduced agency expenses. Net sales are divided by the average total assets to arrive at this figure. According to Gao & Tian (2020) and Nguye, Doan & Nguyen (2020), a greater asset utilization ratio indicates that a company is making more money, which in turn reflects better asset management and use. In recent studies, Olagunju et al. (2021), Olagunju and Adenle (2022), Sdiq and Abdullah (2022), and Salami et al. (2023) have used administrative expense, board compensation, or asset utilization ratio as proxy agency expenses. Salami et al. (2023) only used board compensation, Olagunju et al. (2021) used administrative expenses ratio and current ratio, Olagunju and Adenle (2022) used board compensation and asset utilization, and Sdiq and Abdullah (2022) used operating expenses and asset utilization ratio as a stand-in for agency costs.

Firm Performance

The ability to make a profit and the wealth of shareholders are determined by the success of the company (Salami et al. 2023). Although there are many ways to gauge a company's success, including productivity, profitability, expansion, creation of jobs, and customer happiness, the return on assets was the main emphasis of this investigation. According to Wang and Liu (2024), stakeholders can assess a company's resource management and value creation for shareholders by looking at its financial performance. Financial performance is a gauge of an organization's internal and external actions and operations' efficacy and efficiency, according to (Ali, 2018). A company's profitability in relation to its total assets is shown by its return on assets (ROA), which provides insight into how well management uses its resources to turn a profit (Nuhu et al. 2020). Jabbary, et al. (2013) and Olagunju et al. (2021) have used ROA as proxy of financial performance in past research. Furthermore, it is frequently used in literature to determine a company's success, conditions, and compliance.

Agency costs and Financial Performance

One compelling and important topic of corporate governance is the relationship between agency fees and financial success. Chen and Xu (2020) found that there is a negative correlation between lower financial performance and higher agency charges. In a similar vein, Zhang and Li (2021) contended that better corporate governance practices will lower agency costs and increase financial performance. Furthermore, the financial performance increases with decreasing agency charges. A company with cost control will almost certainly turn a

larger profit than one with high agency charges. According to Armstrong and Guay (2010), high board compensation could be an indication of agency issues that will have a detrimental impact on financial performance. While board compensation has the potential to improve directors' performance, too much board compensation will lower profits.

Moreover, administrative costs have a propensity to impact business performance; according to Li et al. (2021), greater administrative costs might lower profitability and depress stockholder value. As a result of reduced administrative costs, profitability rises, raising the value for shareholders. Chen and Xu (2020) have shown that companies with higher asset utilization likely to generate better profitability and overall financial health. Li et al. (2021) also attested to this that higher asset utilization is positively connected with greater performance. A lower ratio of asset utilization suggests that a company is not making the best use of its resources. This suggests that they were likewise unable to make a significant profit from the use of their asset. A lower asset utilization ratio will lead to lower profit, which will impact the firm's financial performance and diminish shareholder value.

Firm Size

Larger companies with a higher number of shareholders and managers tend to have more agency conflicts. That is, a positive relationship exists between the agency cost and the size of the firm (Doukas, et al. 2001). A company's performance, actions, and strategic choices are influenced by its size. According to Ghemawat and Ghadar's (2020) research, big businesses use economies of scale to cut expenses and obtain a competitive edge in the marketplace. In this study, the control variable was firm size.

Theoretical review

The foundation of this research is agency theory, which was created in 1932 by Berle and Means. Later, Jensen and Meckling popularized it in 1976. According to Berle and Means (1932), managers prioritize their personal goals over maximizing returns to shareholders. According to Holtz et al. (2014), agency theory is based on the supposition that there is an agency problem since each participant acts in his own self-interest and takes use of the knowledge at his disposal to his detriment. The theory focuses on finding solutions to issues that develop when the principal and agent have competing interests (Nidumolu, 2018). The main assumption of this theory states that agency theory improves financial performance (Tarazi, 2019). In a situation where the future is uncertain, agency theory also assumed that contracting might address the agency problem. However, in reality, agency theory is hindered by problems with rationality, information asymmetry, fraud, and transaction cost. This theory has been attacked for its lack of concern for the principals, who take advantage of and mislead the agents (Perrow, 1986).

Empirical review

Salami et al. (2023) looked into how quoted consumer goods companies in Nigeria performed in relation to agency costs. Out of the twenty consumer products companies listed in Nigeria, fifteen were specifically chosen. The time frame for the study is 2012–2021. The data estimation techniques employed to analyze the information acquired for this study were descriptive statistics and inferential statistics. The results of this study showed that, while sales growth had a positive relationship with financial performance, board compensation and

leverage had a negative relationship with financial performance. Financial performance was unaffected by the size of the company.

Olagunju and Adenle (2022) investigated the impact of asset utilization ratio and executive director salary on the financial performance of consumer goods companies listed in Nigeria. In this study, a sample of 10 out of 21 listed consumer products companies was used. The study's time frame was from 2015 to 2019. To estimate the data collected, panel regression and correlation analysis were applied. The study's conclusion suggested that there is a notable and unfavorable correlation between the financial performance and the salary of executive directors although there is a noteworthy positive correlation between financial performance and asset utilization ratio.

The moderating influence of agency cost on the connection between capital structure and company performance in Iraq was studied by Sdiq and Abdullah (2022). Information was gathered from the Iraqi Stock Exchange's publicly available financial accounts. Numerous industrial sector enterprises listed on ISX between 2004 and 2020 make up the study sample. For data analysis, the pooled mean group estimate approach is employed. The findings provide evidence in favor of the agency theory, which explains how capital structure and financial performance are related. The result demonstrates that the asset utilization ratio and costs ratio have a significant and detrimental impact on financial performance.

The relationship between agency costs and the business performance of a few Istanbul SMEs that are listed on the Istanbul Stock Exchange was examined by Baykara and Baykara (2021). The study sampled 38 of the 42 companies that were listed on the stock exchange. The poll covered the years 2017 to 2020. Utilizing panel regression analysis, the collected data was examined. The indices utilized to calculate agency costs were the asset utilization ratio (ATR), free cash flows (FCF), and operating expenses ratio (OPR). The review's findings showed that, whereas AUR and FCF were found to have no discernible effect on FP, OPR was found to have a notable influence.

The impact of agency expenses on the financial performance of listed Nigerian manufacturing companies was examined by (Olagunju et al., 2021). Purposive sampling techniques were used to choose ten manufacturing enterprises from among all the Nigerian listed manufacturing firms. The study's time frame was from 2015 to 2019. The collected data was examined using panel regression analysis. The review's findings showed that FP is significantly and favorably impacted by current ratio. Conversely, it was discovered that administrative costs had a significant detrimental impact on FP.

Garania and Kaikova's (2016) study looks at how agency expenses affect the financial performance of a few chosen Russian and Norwegian companies. Liquidity ratio (LUR) and asset utilization ratio (ATR) were used as proxies for agency expenses. Their study's findings showed that agency costs proxy with ATR and LUR increases board size and, as a result, may have an impact on the performance of the company. Agency fees were found to have a considerable negative influence in Norwegian enterprises, but no substantial impact in the Russian market.

Rashid (2015) reported in their study of the influence of agency costs on financial performance in Bangladesh banks using panel regression as estimation method that ATR have a noteworthy connection on the financial performance of banks in Bangladesh. This implies that the higher the ATR ratio the higher the firm performance and vice versa.

METHODOLOGY

However, out of the 21 consumer goods (CG) companies listed on the Nigerian Exchange Group (NGX), this study used a causal research approach and focused on 20 CG companies in the Nigerian manufacturing sector. Purposive sampling was used to calculate the sample size. The analysis used information taken from these companies' annual reports and covered eight-years period, from 2015 to 2022. Board compensation (BCP), asset utilization ratio (ATR), and administrative expenses (ADE) were used as proxies of agency costs. The natural log of the total board compensation is used to calculate BCP (Murphy & Sandino, 2010). Net asset divided by average total asset is the formula for calculating ATR (Nguye et al., 2020). According to Aras and Furtuna (2015), ADE is defined as an organization's out-of-pocket expenses that aren't directly related to a certain function like manufacturing, sales, or production. Return on asset (ROA) served as a proxy for financial performance. The ratio of a company's net income to its total assets is called return on assets (Olagunju et al. 2021). The natural logarithm of total assets was used to evaluate the control variable, firm size (Olagunju et al., 2024).Multiple regression analysis, correlation analysis, and descriptive statistics were used to analyze the data.

Model specification

ROA Model

ROA_{it} **= F (BCP, ATR, ADE, FZS)**

$$ROA_{it} = \beta_0 + \beta_1 BCP_{it} + \beta_2 ATR_{it} + \beta_3 ADE_{it} + \beta_4 FZS_{it} + \mu_{it} \quad \ldots 1$$

Whereas,

ROA= Return on Asset

BCP = Board Compensation

ATR =Asset Utilization Ratio

ADE = Administrative Expenses

FZS = Firm Size

β_0- $\beta_4 estimated\ parameters$

$\mu_t - stochastic\ error\ term$

4. Results and Discussions

Table 1: Descriptive Statistics

	ROA	BCP	ATR	ADE	FZS
Mean	0.1012	5.573	0.8747	0.5140	9.0917
Median	0.04489	5.4067	0.6988	0.06401	9.772
Stand Dev.	0.3187	1.2175	1.72662	3.5569	2.564
Minimum	-0.3439	0.6578	-5.1441	-9.5767	-4.0827
Maximum	3.237	10.584	17.936	31.2968	14.0412
Observation	160	160	160	160	160

Source: Authors' Computation (2024)

The results from the descriptive statistics indicate that the ROA has an average value of 0.101, a median of 0.045, a max. of 3.237, standard dev. of 0.3187 and a min. of -0.319. As regards the independent variables, BCP, ATR and ADE they exhibited mean, median, maxi., and min. values of (5.573, 0.875, 0.5140), (5.407, 0.699, 0.0640), (10.584, 17.936, 31.297) and (0.658, -5.144, -9.577) respectively. They also have a standard deviation value of (1.2175, 1.7266 and 3.557) correspondingly. Control variable FZS have a mean, median, max, standard dev. and min. values of (9.0917, 9.772, 14.041, 2.564 and -4.083) respectively.

Correlation Analysis

Table 2: Correlation and test of Multi-collinearity

	ROA (1)	**BCP (2)**	**ATR (3)**	**ADE (4)**	**FZS (5)**	**VIF**	**1/VIF**
(1)	1.000						
(2)	-0.182	1.000				1.04	0.957
(3)	0.283	-0.260	1.000			1.11	0.899
(4)	-0.2273	-0.0017	-0.3569	1.000		1.76	0.567
(5)	0.0053	0.0992	0.0335	-0.2046	1.000	1.68	0.567

Source: Authors' Computation (2024)

The correlation analysis table's results revealed a negative weak relationship between ROA and BCP, as indicated by a coefficient of -0.182. Also, ATR exhibited a positive correlation of 0.283 with ROA. Furthermore, ADE also has a weak correlation with ROA represented with coefficient of -0.227. The control variable, FZS, demonstrated a very weak positive correlation with ROA, represented by a coefficient value of 0.0053. The VIF values in the table, which range from 1.04 to 1.76, confirm the absence of multicollinearity among the factors under consideration.

Panel Regression Result

Hypothesis: Agency cost does not have any significant effect on the financial performance of listed manufacturing firms in Nigeria

Table 3: Estimated Panel Regression Analysis Results

Variables	**Coefficient**	**Std. Error**	**T-statistics**	**Prob.**
C	0.2569	0.1762	1.46	0.147
BCP	-0.0115	0.0214	-2.54	0.011
ATR	1.0163	1.0953	2.03	0.042
ADE	-1.0977	0.1292	-2.76	0.006
FZS	-0.0098	0.1762	1.46	0.147
R-square	0.56			
F-Statistics	22.01			
Prob>F	0.0000			

Source: Authors' Computation (2024)

The analysis of the impact of agency costs on the financial performance of Nigerian listed consumer goods companies is shown in the panel regression table. According to the analysis, BCP and ROA had a significant negative relationship, as revealed by t-stat and p-val values

of (-2.54) and (0.011), respectively. This suggests that the financial performance is inversely related to the BCP. Since BCP is an inverse measure of agency costs, a greater BCP will presumably result in higher agency costs, which will lower firms' FP. Additionally, ATR had a statistically significant but positive correlation with ROA, as indicated by t-stat and p-val values of 2.03 and 0.042, respectively. This suggests that better financial success will result from greater ATR and vice versa. Additionally, because ATR is an inverse measure of agency expenses, higher ATR will result in lower agency costs, which will boost financial performance. More so, it was discovered that ADE and ROA had a negative association, as indicated by the t-stat and p-val values of (-2.76) and (0.006), respectively. This implies that a rise in ADE will result in a fall in FP. Moreover, this study discovered no significant relationship between company size and FP, as indicated by t-stat and p-val values of 1.46 and 0.147. This suggests that FZS has no statistical impact on the financial performance of Nigerian consumer products companies that are listed.

Discussion of Findings

The relationship between agency costs and the financial performance of Nigerian consumer goods companies that are quoted was examined in this study. Firms employed agency charges as a means of mitigating the impact of agency problems. Agency costs, according to Eboiyehi and Willi (2018), happen either between debtholders and shareholders or between external shareholders and internal managers. Agency conflicts arise from the conflicts of interest between that agent and the firm's principals. According to Zhang and Li (2021), better corporate governance practices that lower agency costs will boost financial performance. The study's findings showed that BCP significantly and negatively affect the financial performance of Nigerian listed consumer goods companies. This suggested that an increase in BCP would result in an increase in agency costs and a decrease in FP. BCP is thought to be an adverse measure of agency costs. Incentives may be misaligned if board compensation is unrelated to corporate performance measures. The company's finances may be strained by excessive pay, which could result in higher costs and worse profitability. Additionally, it may weaken the firm's accountability. This result is consistent with the agency theory's assumption, which stated that agency conflicts arise when a director's interest in the company conflicts with that of the shareholders. These conflicts may lead to the acquisition of agency costs when management of the company decides to address the issue. Results from Nyaoga et al. (2014), Olagunju and Adenle (2022), and Salami et al. (2023) corroborated the study's conclusion that BCP has a negative impact on FP. On the other hand, Tosi and Gomerz-Mejia (2000) discovered no association between BCP and FP, whereas Denirer and Yuan (2013) discovered a substantial negative relationship between BCP and FP.

Furthermore, there was a noteworthy and affirmative correlation between ATR and ROA. This suggests that a company's financial success increases with its ATR. The results showed that a greater ATR is a sign of reduced agency costs, which in turn led to higher performance, since ATR is an adverse indicator of agency costs. A good ATR shows that a business is making the most of its resources to increase revenue. The expansion and improvement of firm FP are facilitated by this increase in income. Increased ATR also denotes less agency issues and more effective operations. Businesses that make the best use of their resources to reduce waste and inefficiency will see reduced operating expenses and higher profit margins. The results of Olagunju and Adenle's (2022) corroborated these findings by showing that ATR had a favorable impact on FP. On the other hand, research by Gurbus et al. (2016), Rashid (2015),

and Sidq and Abdullah (2022) found a significant and unfavorable association between ATR and FP. According to Baykara & Baykara's study from 2021, there is no relationship between FP and ATR.

ADE also shows a notable and negative effect on ROA. An accurate indicator of agency costs is ADE. The results suggested that lower financial performance will result from higher ADE. A higher ADE can imply operational inefficiencies such as overstaffing, redundant processes, or wasteful resource use, all of which can lower profitability. High ADE is viewed by shareholders and investors as an indication of ineffective cost control or operational inefficiencies, raising doubts about the company's long-term viability. Baykara and Baykara (2021) also documented a noteworthy correlation between ADE and FP. Sidq and Abdullah (2022), Gurbus et al. (2016), and Olagunju et al. (2021) corroborated the results of this investigation, which indicated that ADE has an adverse effect on FP. Conversely, other researchers, such as Wambua (2013), Migunyi et al. (2013), Tobari and Ghanji (2016), and Alfadhi and Alabdullah (2013), discovered a favorable relationship between agency expenses and financial success.

There was no notable impact of the control variable FZS on the ROA. This suggests that there is no statistically significant relationship between FZS and FP. This result is corroborated by Salami et al. (2023) findings, which similarly claimed that FZS had no effect on firm FP.

5. Conclusion and Recommendations

Chinelo and Iyiegbuniwe (2018) argued that agency cost is significant because it mitigates the consequences of agency problem. The performance of a firm holds significant value for investors, stakeholders, and the overall economy. A well-performing company can provide investors with considerable and long-term profits, and one of the key indicators of this is the return on assets (Nuhu et al., 2020). This study investigated the relationship between listed consumer goods companies in Nigeria's financial performance and agency charges. ATR was found to have a beneficial impact on FP, while BCP and ADE were found to have a negative impact. The study's findings indicate that the three agency costs proxies; BCP, ADE, and ATA all significantly affect financial performance. The study concluded that agency costs have the tendency to influence the financial performance of listed consumer goods firms in Nigeria. Based on the study findings, the following recommendation are proposed: Firms should analyze all of their operational costs carefully to find items that may be cut or removed without compromising quality or necessary functions. They should also implement a cost management plan to cut down on waste and boost output. In order to guarantee that facilities and equipment continue to function effectively, they should also give priority to asset maintenance and upkeep. The company ought to make an effort to put in place transparent governance procedures for board remuneration, such as unambiguous disclosure, equitable compensation and performance standards.

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