

RELATED PARTY TRANSACTIONS AND FINANCIAL PERFORMANCE OF CONSUMER GOODS COMPANIES IN NIGERIA

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ABSTRACT

Management of any entity often abuses related party transactions (RTP); which often lead to poor performance of that entity. RTP were reminiscence in the saga of Enron, WorldCom, Parmalat, and so forth. Hence, the main objective of this study was to examine the effect of related party transactions on performance of Consumer Goods Companies in Nigeria. Consumer Goods Companies in Nigeria is the population of study, while Consumer Goods Manufacturing Companies listed on the Nigeria Exchange (NGX) Limited (twenty-one in number) were used as the sample size. Longitudinal research design was employed on a sample of twenty-one (21) Consumer Goods Manufacturing Companies listed on the Nigerian Exchange Limited (NGX) for a period of five (5) years (2019-2024). Secondary data were obtained from the financial statements of the companies. Panel regression techniques of estimation was used in the analysis. The data analysis was carried out using Statistical Packages for Social Science (SPSS). The findings reveal that there is no positive and significant relationship between RTP (receivables, payables and loans to directors) and the performance of consumer goods companies in Nigeria. The conclusion suggests that related party transactions between the parent company and its subsidiary do not have a significant impact on the company's performance. It was however, recommended that regulators should consider additional disclosure requirements that will enhance transparency and accountability regarding related party transactions.

Keywords: related party, related party transactions, receivables, payables, revenue, net profit margin, price/earnings ratios.

1. INTRODUCTION

One of the major economic transactions and events that could significantly impact on a firm's financial performance is related party transactions. This is because these transactions are usually not conducted in an arm's length as in transactions with third parties. Related parties are family members or relations to key management personnel of a company. Related parties could also be the type of relationship that exist between parent companies and their subsidiaries or associate, or among partners in a partnership, venturers in a joint venture and so forth. IASB (2009) also defines related party transactions as "transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged". A closely related definition was given by Pizzo (2013) who defines related party transactions as a transfer of goods or services between a reporting company and its related parties and considers that these transactions depend on the ability to influence contractual terms and conditions".

In one of its International Financial Reporting Standards (IFRS) – *IAS 24 Related Party Disclosures*, the International Accounting Standards Board – IASB (2009) states that “the objective of the standard (IAS 24) is to ensure that an entity’s financial statements contain the disclosures necessary to draw the attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances, including commitment, with third parties”. Furthermore, IAS 24 outlines the circumstances under which disclosure of these items is required, and provides guidance on the specific disclosures that must be made about these items. By addressing these areas, IAS 24 aims to promote transparency and accountability in financial reporting, particularly about related party transactions and relationships. Unfortunately, organizations or reporting entities, hardly complying with this standard. For instance, one of the most notorious corporate scandals in this millennium – the Enron saga, inadequate disclosure of related party transactions and conflicts of interest were cited as some of the issues that contributed to Enron collapse in December, 2001. According to Benston et al (2003), Enron revealed in its proxy statements that it had transacted business with a related party. "The terms of the transactions with the Related Party were reasonable compared to those which could have been negotiated with unrelated third parties," the corporation claimed in a footnote. On its face, this looks improbable; it seems very odd that unaffiliated third parties would have been given the same conditions as Enron's chief financial officer; Andrew Fastow related party transactions and relationships.

Related party transactions (RPT) can affect the financial performance of business organizations either way, especially if such transactions are material in nature and volume when juxtaposed with the total revenue of the entity in any given reporting period. If there are transparency, accountability, prudence and integrity in such transactions it will be to the benefits to all the parties involved. However, if there are manipulations by officials of the issuing firm, the firm stands to lose in revenue and ultimately in net income, which will also affect its financial ratios (i.e., financial performance). The extant body of literature acknowledges two viewpoints regarding related party transactions. RPT may improve shareholder value by indicating a strategic economic decision made by the company, or it may have a negative impact on shareholders (Gordon *et al* 2004). This is obvious because the management are the agent of the shareholders; and they would like to work for their own best interests rather than that of the shareholders. This is often called the agency theory problem (Supatmi *et al*, 2019). One of the consequences of agency problem is information asymmetry; a situation whereby the agent (management) may have information the principal (shareholders) does not have. Thus, since RPT are not carried out in arm’s length, the agent (management) will exploit the situations to their advantage. Tong et al. (2014) noted that by manipulating transfer prices, economic resources can be transferred between different stakeholders, helping some while hurting others. Therefore, there is a chance that the related party transaction would skew financial statements, increasing information asymmetry and generally eroding investor trust in the entity.

Identifying whether related party transactions have taken place is a difficult task, which only the management or perhaps the internal or external auditors can ascertain. Management may decide not to present or disclose related party transactions even if such transactions did take place. This is more so,

because IAS 24, allows entities to disclose related party relationship when control exists, irrespective of whether there have been transactions between the related parties. A firm could hide under this and merely disclose relationships exist, but that there were no transactions in a given period.

What is also of interest is the information disclosed in the financial statements regarding related party transactions. The disclosures are rather scanty to say the least. A cursory examination of the financial statements of listed entities on the Nigeria Exchange Limited (NGX) shows that disclosures about RPT are inadequate for users of financial statements to make meaningful decisions. For instance, in some cases where loans to key management personnel (directors), there are no disclosures or information about whether interest are charged on those loans or not; and if so, at what rate.

In other cases, where there are sales or purchases between a parent company and its subsidiary, there are no disclosures about prices charged which can be compared with market prices. Also, some parent companies disclosed balances at the end of their financial year between them and their subsidiaries without information about what gave rise to those balances, whether they were sales or purchases of goods or property, plant and equipment. Though, these disclosures may not be required by accounting standards or codes by other regulatory agencies, but for best practices and better reporting, such disclosures are necessary.

Some international organisations are also worried about the abuse of RPT by either key management personnel or shareholders who have control or significant influence in the entity. The International Organisation for Securities Commissions (IOSCO) (2005) (an association of organizations that regulate the world's securities and futures markets), in a report issued by its Technical Committee observed that “in a number of recent financial scandals, corporate funds were either used to buy assets at what now seem to be significantly inflated prices from entities controlled by managers or controlling shareholders, or else the issuer was forced to sell assets to managers or controlling shareholders at a significant discount. In the same vein, in its report which focus on corporate governance framework that manages related party transactions with a view to protecting minority investors, Organisation for Economic Cooperation and Development (OECD) (2012) observed that a number of high-profile instances that have harmed market integrity by treating shareholders unfairly have made it clear that related party transactions (RPTs), which include both equity and non-equity RPTs, have the potential to be abused.

One of the main instruments used by multinational companies (MNCs) under the guise of related party transactions is transfer pricing. Most MNCs have their subsidiaries or special purpose vehicles (SPVs) or “shell” companies in tax havens or offshore financial centers (OFCs). These tax havens or OFCs are countries or jurisdictions with little economic activities but with little or low tax rate, banking secrecy amongst. Given these benefits and favourable conditions MNCs through transfer pricing do businesses with their subsidiaries that will result in high profits in tax havens/OFCs and low profits or losses in countries where tax rates are high. Feleagă and Neacșu, (2016), in their study they discovered that the recent financial scandals, related party transactions and transfer prices are now thought to be effective tools for financial fraud. According to them one of the main factors contributing to the investors' waning confidence is transactions with connected parties located in tax havens. Given the characteristics of the

local institutional structure, their research concentrated on related party transactions and transfer prices in the context of Romanian listed companies. Further findings by them show that 36% of the companies listed on the Bucharest Stock Exchange have affiliates in tax havens.

In Nigeria, relevant regulatory authorities have codes that regulate and guide related party transactions. Principle 25 of the Nigerian Code of Corporate Governance 2018 issued by Financial Reporting Council of Nigeria (FRC) spell out guidelines regarding related party transactions. Prior to the FRC code, the Securities and Exchange Commission had issued a code in April, 2011, entitled Code of Corporate Governance for Public Companies in Nigeria. Some sections of that code also addressed the conduct, treatments and disclosures of related party transactions. Similarly, Chapter 20 (Rule 20) of the Rulebook published in December 2015 by the then Nigerian Stock Exchange (now Nigerian Exchange Group Plc – NGX) also gives guidance on related party transactions. However, the implementation and enforcement of these codes by these regulatory bodies cannot be ascertained. Also, there is no empirical evidence in the literature to establish the level of compliance by companies.

However, related party transactions could also be beneficial to a company. Pozzoli and Venuti (2014) indicate that RPTs can have a positive economic impact, particularly in institutional settings with inefficient labor, capital, and product markets, like many developing nations. Supatmi *et al.* (2019) contend that studies on the impact of RPTs on firm performance still do not offer conclusive results.

Existing literature points to the fact that studies have been carried out on related party transactions in developed countries, such as in Europe, Asia, America and so forth. But in Sub-Sahara Africa including Nigeria, very little research has been done (Osakuni and Onuora, 2019). In Nigeria scholars that have researched on related party transactions include the following: Osakuni and Onuora (2019), Okoro and Jeroh (2016), Umobong, (2017), Mohammed, and Abibakar (2018), Okerekeoti (2021), Okonkwo *et al* (2022) and Suleiman, and Bamanga (2021). All the researchers except, Suleiman and Bamanga (2021) use population, variables, research design and so forth, that are different from this on-going study. Suleiman and Bamanga (2021) use the same population (consumer goods manufacturing companies listed on the Nigeria Exchange Limited). However, the current study use consumer goods companies in Nigeria while consumer goods manufacturing companies listed on the Nigeria Exchange Limited was used as sample size. Again, their dependent variable is corporate value, while the dependent variable of the present study is financial performance.

Therefore, this on-going research is expected to fill the gap in the literature by examining the influence of related party transactions on performance of consumer goods companies in Nigeria. The independent variable is Related Party Transactions (receivables, payables, revenue and loans to directors) and dependent variable is performance (net profit margin, price/earnings ratio and return on capital employed).

2.0 LITERATURE REVIEW

This section of this study dwells on the conceptual framework, theoretical foundation, and the empirical review of the subject-matter.

2.1 Theoretical Framework

This research is anchored on three theories, i. e., the agency theory, the steward theory and the capture theory.

2.1.1 Agency Theory

Agency theory, propounded by Michael C. Jensen and William H. Meckling in 1976, explains the relationship between principals (shareholders) and agents (managers) in a company. Their seminal paper, "Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure," laid the foundation for Agency Theory, which describes how agents may act in their own self-interest, rather than in the best interest of the principals, leading to agency costs (Matinheikki et al., 2022; Yilmaz, 2022; Gwala & Mashau, 2023). The theory also explores how various mechanisms, such as executive compensation, board oversight, and auditing, can be used to mitigate agency costs and align the interests of agents with those of principals (Schillemans & Bjurstrøm, 2020; Raimo et al., 2021; Huang, 2022). Agency theory is all about understanding the potential conflicts of interest between principals and agents and developing strategies to manage these conflicts. The theory recognizes that agents may have different goals, risk preferences, and time horizons than principals, which can lead to agency problems. Agency Theory is highly applicable to this study, as it provides a framework for understanding the potential conflicts of interest between principals and agents in the context of related party transactions. The theory can help explain how agents (managers) may use related party transactions to exploit the company for personal gain, and how principals (shareholders) can use various mechanisms to prevent or detect such exploitation (Zimon et al., 2021; Rahmat et al., 2020; Sun et al., 2020). By applying Agency theory, this study can draw insights into the motivations and behaviors of agents and principals in the context of related party transactions, ultimately contributing to a deeper understanding of the complex relationships between principals, agents, and related party transactions (Gavana et al., 2024; Matinheikki et al., 2022; Chen et al., 2023; Onjewu et al., 2023).

2.1.2 Stewardship Theory

Stewardship Theory was postulated by Davis, Schoorman, and Donaldson in 1997. This theory emerged as a response to the limitations of Agency Theory, which views managers as self-interested agents who need to be monitored and controlled. In contrast, Stewardship Theory posits that managers can act as stewards of the organization, prioritizing the interests of the organization and its stakeholders over their own self-interest (Steinfeld, 2023; Mahohoma, 2024). Stewardship Theory explains how managers can be motivated to act in the best interests of the organization, rather than just pursuing personal gain. The theory suggests that managers are driven by a sense of responsibility, loyalty, and commitment to the organization, which leads them to make decisions that benefit the organization as a whole (Schillemans & Bjurstrøm, 2020; Löhde et al., 2021). Over time, Stewardship Theory has evolved to incorporate various extensions and modifications. For instance, researchers have explored the role of leadership, organizational culture, and governance mechanisms in promoting stewardship behavior among managers (Ma et al., 2021; e Cunha et al., 2021). Additionally, the theory has been applied to various contexts, including family businesses, non-profit organizations, and public sector institutions (Löhde et al., 2021; Mills et al., 2021; Tajer et al., 2022).

Stewardship Theory is highly applicable to this study, as it provides a framework for understanding the motivations and behaviors of managers in the context of related party transactions. The theory can help explain how managers may use related party transactions to benefit the organization, rather than just pursuing personal gain (Andrikopoulos et al., 2021; Cesário et al., 2020). By applying Stewardship Theory, this study can gain insights into the factors that promote stewardship behavior among managers and how related party transactions can be used to benefit the organization. Ultimately, this can contribute to a deeper understanding of the complex relationships between managers, related party transactions, and organizational performance.

2.1.3 Capture Theory

The Capture Theory, proposed by economist George Stigler in 1971, explains how regulatory agencies, created to protect the public interest, can be "captured" by the very industries they are supposed to regulate (Tsikritea et al., 2022; Mitra & Pal, 2022; Peltzman, 2021, 2022; Thomas & Thomas, 2022; Yandle, 2022). This capture can lead to regulatory decisions that favor the interests of the regulated industry rather than the public interest. Over time, the Capture Theory has evolved to include various forms of capture, such as economic capture, where regulatory agencies are influenced by the economic interests of the regulated industry, political capture, where regulatory agencies are influenced by political considerations, such as campaign contributions or lobbying efforts, and cognitive capture, where regulatory agencies are influenced by the ideas and beliefs of the regulated industry (Saltelli et al., 2022; 2021; Jiang & Ashworth, 2021; Altman et al., 2022). The Capture Theory is applicable to this study in the context of related party transactions and corporate governance. The theory can help explain how companies may use related party transactions to circumvent regulatory requirements or exploit loopholes in the regulatory framework (Hope & Lu, 2020; Rahmat et al., 2020; Mansour et al., 2022; Babar & Habib, 2021). Additionally, the theory can help explain how regulatory agencies may be influenced by the interests of companies, leading to lax regulation or enforcement of related party transactions.

The Capture Theory is relevant to this study because it highlights the potential risks of regulatory capture and the need for effective regulatory frameworks and corporate governance practices to prevent the exploitation of related party transactions (Saltelli et al., 2022; 2021; Olawale & Obinna, 2023; Elamer & Boulhaga, 2024; Shaikh & Randhawa; 2022; Areneke et al., 2022). By understanding the dynamics of regulatory capture, policymakers and regulators can design more effective regulations and enforcement mechanisms to protect the public interest and promote good corporate governance.

2.2 Related Party Transactions

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged (IAS 24). Related party transactions are common and normal commercial transactions and events. Parent companies, subsidiaries, associate and joint ventures often engage in such transactions among themselves especially if the entities involved are a group of companies. This is so when they consider that it will be more expedient and profitable to do so. Examples of related party transactions between a parent company and subsidiaries, associates, joint

ventures, amongst others, include sales or purchases of goods (raw materials or finished goods), property or other assets, rendering of services, provision of guarantees/collateral, and so forth. Other related party transactions are loans to staff including key management personnel (directors and members of management), trading in shares (especially insider dealings).

However, it is often perceived that related party transactions are not carried out in an arm's transactions. The prices charged or considerations given cannot be seen as being at par with that obtainable in a commercial or open market transactions. Loans to staff are also given at concessionary interest rates or no interest rates at all. These actions, decisions or policies have negative effects on the overall financial performance of firms. Osakuni and Onuora, (2019) buttress this argument by asserting that "transactions between related parties frequently occur at prices below market value and with terms that deviate from standard commercial terms and conditions because of the company's influence over the related party. This can lower the earnings the company would have been able to obtain from that specific transaction while also raising the company's level of risk".

Related party transactions could also benefit an entity if the parties involved demonstrate integrity, transparency and utmost good faith. Related party transactions are legitimate transactions; it is the motives or the intention of the parties conducting the transactions.

Related party transactions is the independent variable in this study that is represented by the proxies viz, revenue, receivables, payables and loans to directors.

2.3 Financial Performance

Performance shows how an entity used its resources to achieve its economic goals or objectives during a reporting period, usually one year. Indicators of financial performance are expressed in monetary terms e.g. turnover, gross profit margin, net profit margin, total assets, total liabilities, and so on). Financial performance could also be expressed in ratios, which include profitability ratios, liquidity ratios, gearing ratios, investors' ratios, among others. The dependent variable in this study is financial performance which is represented by net profit margin (NPM), price/earnings (P/E) ratio and return on capital employed (ROCE).

2.4 Empirical Review

This segment of the study dwells on the research work of other scholars who have conducted research similar to the current study. The objectives of their studies, the methodologies adopted, findings, recommendations and further studies were discussed.

Gavana *et al* (2024), The purpose of their study was to investigate the effect of family control on the association between related party transactions (RPTs) and different forms of accrual-based earnings management (AEM) and real earnings management (REM), analyzing the effect of board characteristics on the possible association. The study used a sample of Italian non-financial listed firms over the 2014–2019 periods, by GLS regression models, controlling for the fixed effects of the company's sector of operation and the year. The results indicated a different association between RPTs and earnings management (EM) in family and non-family firms. The findings further showed that family firms used

RPTs in association with downward AEM and REM perpetrated by abnormal discretionary expenses as well as a substitute of REM via abnormal production costs. For non-family firms, findings indicated only a substitution effect between RPTs and AEM. Furthermore, CEO duality, board gender diversity and the presence of the family on the board positively moderate the association between RPTs and, respectively, REM implemented through sales manipulations, downward AEM and upward AEM. This study suggests that the socio-emotional wealth (SEW) differently affects the relationship between RPTs and EM, according to the form of the latter. It also points out family firms' heterogeneity in earnings manipulations, by providing evidence of the moderating role of board characteristics on the association between RPTs and the various forms of EM.

Thu, *et al* (2023). The aim of their research was to evaluate the relationship between related party transactions (RPT) and accounting comparability (AIC). In this study, the authors used a generalized method of moments (GMM) method to assess the RPT-AIC association by using a sample of 441 non-financial companies in Vietnam for the period 2015– 2019. Using the monetary scale to measure the size of the kinds of RPT transactions, the authors found evidence for a positive relation between RPT and AIC. Besides, their results were confirmed through different robustness tests by applying different ways of measurement for RPT and AIC. This study provides valuable empirical evidence about the relationship between RPT and AIC through the research context of an emerging market like Vietnam. This was the first study to diversify the research context in the developing country to answer whether the impact of RPT on business is context-based or global.

Okonkwo *et al* (2022). The study examined the effect of board characteristics on related party transactions of Nigerian conglomerate firms. The specific objectives are to: determine the effect of Board sizes on related party transactions of quoted Nigerian conglomerate firms and examine the effect of board independence on related party transactions of quoted Nigerian conglomerate firms. Ex Post Facto research design was adopted for the study, and the study sample consisted of six Conglomerates firms in Nigeria. Data for the study was extracted from audited report and accounts of the sampled firms. The formulated hypotheses was tested with Ordinary Least Square (OLS) using E-View 9.0. The study found that board size has a positive insignificant effect on related party transactions of manufacturing firms in Nigeria, while board independence has a negative insignificant effect on related party transactions of manufacturing firms in Nigeria. The study recommended among others that there should be need to have more outside directors in the size of the board and the proportion of outside directors sitting on the board, unlike inside directors, outside directors are better able to challenge the CEOs.

Suleiman, and Bamanga (2021). This study examined the effect of related-party transactions on the corporate value of listed consumer goods companies in Nigeria. Longitudinal research design was employed on a sample of fifteen (15) listed consumer goods companies in Nigeria for a period of eight (8) years (2012-2019). Panel regression techniques of estimation were used in the analysis. The result revealed that the related-party transactions has a positive meaningful effect on the corporate value of listed consumer goods firms in Nigeria. The study concluded that related party dealings increase the value of a firm through economic value-added. Thus, this study recommended that the monitoring

authorities such as the Securities and Exchange Commission (SEC) should increase the level of enforcement of related party dealing to achieve full compliance which in turn, increases corporation value.

Okerekeoti (2021). This study examined the effect of related party transactions on return on total equity of quoted commercial banks in Nigeria. Data for the study were analyzed with descriptive statistics and ordinary least squares (OLS) analysis was used to test the hypothesis using Statistical Package for Social Sciences (SPSS). The findings showed that related party transaction has statistical positive relationship on the return on equity of the quoted Nigerian commercial banks. Based on the findings of this study, the researcher recommended that equity shareholders must always ensure that dividend declared are not based on falsified profit especially when related party transactions which has inherent risk of corporate failure are involved.

2.3 Conceptual Model of the Study

The figure below is the conceptual model of this study.

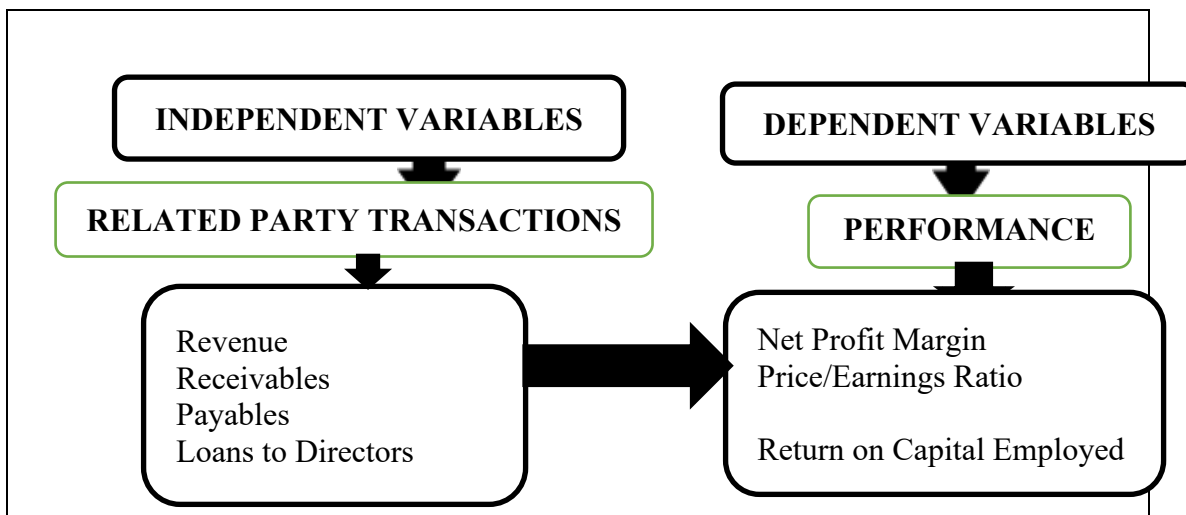


Figure 2.1: Conceptual Model

Source: Author's Compilation (2026)

2.4 Statement of Hypotheses

The proposed hypotheses for this study were as follows:

Ho₁: Receivables between parent company and its subsidiary has no significant relationship with financial performance of consumer goods companies in Nigeria.

Ho₂: Payables between parent company and its subsidiary has no significant relationship with financial performance of consumer goods companies in Nigeria

Ho₃: Revenue between parent company and its subsidiary has no significant relationship with financial performance of consumer goods companies in Nigeria.

Ho₄: Loans to directors at concessionary rate has no significant relationship with financial performance of consumer goods companies in Nigeria.

3.0 METHODOLOGY

The study was conducted using survey research design to establish the relationship between variables. Longitudinal research design employed on a sample of twenty-one (21) listed consumer goods manufacturing companies listed on the Nigerian Exchange Limited (NGX) was for a period of five (5) years (2019-2023). Panel regression techniques of estimation was used in the analysis

The population of this study are consumer good companies in Nigeria. The sample size was drawn from consumer goods manufacturing companies listed on the Nigerian Exchange Limited; they are twenty-one (21) in number i.e., Bua Foods Plc, Cadbury Nigeria Plc, Champion Breweries Plc, Dangote Sugar Refinery Plc, DN Tyre and Rubber Plc, Flour Mills Nigeria Plc, Golden Guinea Breweries Plc, Guinness Nigeria Plc, Honeywell Flour Mill Plc, International Breweries Plc, Mcnichols Plc, Multi-trex Integrated Foods Plc and Northern Nigeria Flour Mills Plc. Others are: Nascon Allied Industries Plc, Nestle Nigeria Plc, Nigerian Breweries Plc, Nigerian Enamelware Plc, PZ Cussons Nigeria Plc, Unilever Nigeria Plc, Union Dicon Salt Plc, and Vitafoam Nigeria Plc. The twenty-one companies are beverages and consumer goods manufacturers listed on the Nigerian Exchange Ltd (NGX). The study used panel data because data was collected from the twenty-one companies for a period of five years (2019 – 2023). The sample size was drawn from the twenty-one consumer goods manufacturing companies listed on the Nigerian Exchange Limited. The study used panel data because data was collected from the twenty-one companies for a period of five years (2019 – 2023). Data were collected from secondary source, i.e. from the financial statements of the twenty-one consumer goods manufacturing companies listed on the Nigerian Exchange Limited.

4.0 DATA ANALYSES AND INTERPRETATION OF RESULTS

The population of this study are consumer good companies in Nigeria. The sample size was drawn from the twenty-one consumer goods manufacturing companies listed on the Nigerian Exchange Limited. The study used panel data because data were collected from the twenty-one companies for a period of five years (2019 – 2023).

In analyzing data, descriptive, inferential statistics and ordinary least square were applied to the research questions and Hypotheses formulated for the study. Statistical Package for Social Sciences (SPSS) software version 25 was used to analyze all data collected.

4.0 DISCUSSION OF FINDINGS

The findings of this research work as discussed based on the specific objectives of this study are as follows.

4.1 Receivables between parent company and subsidiaries and financial performance of consumer goods companies in Nigeria.

The study found no significant relationship between receivables between parent company and subsidiary and the financial performance of consumer goods companies in Nigeria. This suggests that the amount

of receivables between the parent company and its subsidiary does not have a significant impact on the company's financial performance. This finding could be attributed to the fact that receivables are a normal part of business operations, and companies may have established mechanisms to manage and collect receivables efficiently. Studies by Okerekeoti (2021), Osakuni and Onuora (2019), and Suleiman and Bamanga (2021) found no significant relationship between related party transactions, including receivables, and the financial performance of companies in Nigeria, including consumer goods companies. Additionally, studies by Pozzoli and Venuti (2014), and Supatmi et al. (2019) found that related party transactions, including receivables, do not have a significant impact on firm financial performance in other countries. These studies suggest that receivables between parent company and subsidiary may not be a significant factor in determining the financial performance of consumer goods companies in Nigeria.

4.2 Payables between parent company and subsidiaries and financial performance of consumer goods companies in Nigeria

Similarly, the study found no significant relationship between payables between parent company and subsidiary and the financial performance of consumer goods companies in Nigeria. This suggests that the amount of payables between the parent company and its subsidiary does not have a significant impact on the company's financial performance. This finding could be attributed to the fact that payables are also a normal part of business operations, and companies may have established mechanisms to manage and settle payables efficiently. Studies by Okerekeoti (2021), Osakuni and Onuora (2019), and Suleiman and Bamanga (2021) found no significant relationship between related party transactions (including receivables) and the financial performance of companies in Nigeria, including consumer goods companies. Additionally, studies by Pozzoli and Venuti (2014), and Supatmi et al. (2019) found that related party transactions, including receivables, do not have a significant impact on firm financial performance in other countries. These studies support the finding that there is no significant relationship between receivables between parent company and subsidiary and the financial performance of consumer goods companies in Nigeria.

4.3 Revenue between parent company and subsidiaries and financial performance of consumer goods companies in Nigeria.

The study also found no significant relationship between revenue between parent company and subsidiary and the financial performance of consumer goods companies in Nigeria. This suggests that the amount of revenue generated between the parent company and its subsidiary does not have a significant impact on the company's financial performance. This finding could be attributed to the fact that revenue is just one aspect of a company's financial performance, and other factors such as cost management, efficiency, and market conditions may have a more significant impact on financial performance. Studies by Okoro and Jeroh (2016), Osakuni and Onuora (2019), and Suleiman and Bamanga (2021) found no significant relationship between related party transactions, including revenue, and the financial performance of companies in Nigeria, including consumer goods companies. Additionally, studies by Pozzoli and Venuti (2014), and Supatmi et al. (2019) found that related party transactions, including revenue, do not have a significant impact on firm financial performance in other

countries. These studies suggest that revenue between parent company and subsidiary may not be a significant factor in determining the financial performance of consumer goods companies in Nigeria.

4.4 Loans to directors at concessionary rate and the financial performance of consumer goods companies in Nigeria.

Finally, the study found no significant relationship between loans to directors at concessionary rates and the financial performance of consumer goods companies in Nigeria. This suggests that the provision of loans to directors at concessionary rates does not have a significant impact on the company's financial performance. This finding could be attributed to the fact that loans to directors may be a relatively small component of a company's overall financial operations, and may not have a significant impact on financial performance. Studies by Okoro and Jeroh (2016), Osakuni and Onuora (2019), and Suleiman and Bamanga (2021) found no significant relationship between related party transactions, including loans to directors, and the financial performance of companies in Nigeria, including consumer goods companies. Additionally, studies by Pozzoli and Venuti (2014), and Supatmi et al. (2019) found that related party transactions, including loans to directors, do not have a significant impact on firm financial performance in other countries. These studies suggest that loans to directors at concessionary rates may not be a significant factor in determining the financial performance of consumer goods companies in Nigeria.

5 CONCLUSION

In conclusion, this study has investigated the relationship between related party transactions and the performance of consumer goods companies in Nigeria. The findings of the study revealed that there is no significant relationship between receivables, payables, revenue, and loans to directors at concessionary rates and the performance of consumer goods companies in Nigeria. This suggests that related party transactions may not have a significant impact on the performance of consumer goods companies in Nigeria.

Recommendations

Based on the findings of this study, several recommendations were made. Firstly, consumer goods companies in Nigeria should ensure that related party transactions are conducted in a transparent and fair manner, with adequate disclosures made in the financial statements. Secondly, regulatory bodies such as the Securities and Exchange Commission (SEC) and the Nigerian Stock Exchange (NSE) should strengthen their oversight and enforcement mechanisms to prevent abusive related party transactions. Thirdly, investors and analysts should be cautious when evaluating the financial performance of consumer goods companies in Nigeria, and should consider the potential impact of related party transactions on the company's financial statements.

Contribution to Knowledge

This study contributes to the existing body of knowledge in several ways. Firstly, it provides empirical evidence on the relationship between related party transactions and the performance of consumer goods companies in Nigeria, which fills a gap in the existing literature. Secondly, the study highlights the

importance of transparency and fairness in related party transactions, and the need for regulatory bodies to strengthen their oversight and enforcement mechanisms. Thirdly, the study's findings suggest that related party transactions may not have a significant impact on the performance of consumer goods companies in Nigeria, which challenges the conventional wisdom that related party transactions are always detrimental to a company's performance. Finally, the study's methodology and findings provide a framework for future research on related party transactions in other industries and sectors, which can help to deepen our understanding of this phenomenon.

Suggestion for Further Study

The study's findings provide valuable insights into the relationship between related party transactions and the performance of consumer goods companies in Nigeria. However, to gain a more comprehensive understanding of this phenomenon, future research should explore the following areas:

1. Industry-specific studies: Investigate the impact of related party transactions on the performance of companies in other industries, such as banking, manufacturing, and oil and gas. This will help identify industry-specific factors that may influence the relationship between related party transactions and company performance.
2. Sector-specific studies: Examine the impact of related party transactions on the performance of companies in different sectors, such as publicly listed companies, privately held companies, and state-owned enterprises. This will help identify sector-specific factors that may influence the relationship between related party transactions and company performance.
3. Cross-country comparisons: Conduct comparative studies of the impact of related party transactions on company performance across different countries, including developed and developing economies. This will help identify country-specific factors that may influence the relationship between related party transactions and company performance.
4. Longitudinal studies: Conduct longitudinal studies to examine the impact of related party transactions on company performance over time. This will help identify any changes in the relationship between related party transactions and company performance over time.
5. Qualitative studies: Conduct qualitative studies to gain a deeper understanding of the motivations behind related party transactions and their impact on company performance. This will help identify any nuances or complexities in the relationship between related party transactions and company performance that may not be captured by quantitative studies.

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