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Risk Management Committee and Earnings Quality of Listed Nigerian Insurance Firms

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ABSTRACT

This study examines the effect of risk management committees on earnings quality of listed insurance firms in Nigeria. This study employed an ex-post facto research design to collect data from annual reports, corporate governance disclosures, and financial databases of 23 Nigerian insurance firms listed on the Nigerian Exchange Group (NGX). The ex-post facto design was chosen to use existing data without manipulation. Census sampling was applied to include the entire population, covering a twelve-year period from 2012 to 2023, which corresponds with the transition of the Nigerian Stock Exchange to the NGX. The study utilized both descriptive statistics and inferential statistics, such as panel regression and correlational analysis, to analyse the data comprehensively. The findings revealed that size of the risk management committee and its gender diversity were found to have a negative and significant effect on earnings quality. Conversely, the frequency of risk management committee meetings and the independence of the committee members were shown to positively and significantly impact earnings quality. These findings reveal the importance of optimizing the composition and functioning of risk management committees to enhance financial reporting quality within the Nigerian insurance sector. The study concludes that the frequent meetings and the inclusion of independent members in the risk management committee are crucial for improving the quality of financial reporting. Therefore, for insurance firms to achieve higher earnings quality, careful consideration must be given to the composition and operational dynamics of their risk management committees.

1. INTRODUCTION

Investors depend on company-reported earnings to assess quality and reduce information risk. Abubakar et al. (2022) underscores the significance of financial reports, especially profit figures, in stakeholders' decision-making processes. High-quality earnings information is crucial to investors as it signifies efficient resource allocation within a company (Nguyen et al., 2024). Historical evidence reveals numerous earnings manipulation scandals involving large corporations like Enron, Waste Management, WorldCom, Tyco, HealthSouth, Freddie Mac, American International Group (AIG), Lehman Brothers, Bernie Madoff, and Satyam (Ahmad et al., 2023; Thu, 2023). Predominantly American companies, faced liquidation because of various forms of earnings management practices, leading to a loss of investor confidence, and despite initially reporting positive results, largely due to poor earnings quality (Solikhah et al., 2022; Zabiohollah & Hossein, 2023). Earnings quality issues are not limited to the United States; similar incidents were found in other developed countries. In China, companies like; HAG and CII inflated their earnings while others like QCG and NAF reported lower earnings than their actual performance (Tap Chi Tai Chinh, 2020). In Indonesia, companies such as INVS and SIAP in 2015, and GIAA in 2018, which were listed on the

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Indonesia Stock Exchange, were implicated in earnings manipulation scandals that negatively impacted the credibility of their financial reporting (Obaid & Yasir, 2020; Viana et al., 2022). From the developing nations, corporate scandals in Nigeria often result from deficiencies in financial practices. Cadbury Nigeria Plc. was found to have manipulated financial reports through various means, including stock buybacks and false supplier certificates (Adegbie et al., 2019), indicating a lack of adherence to corporate governance codes (Bala et al., 2023). Additionally, Lever Brothers (now Unilever) experienced significant stock overvaluation (Ahmad et al., 2023). Corporate failures in Nigerian banks like PHB, Spring Bank, and Diamond Bank were attributed in part to poor earnings quality and corporate governance. Nigeria suffered substantial financial losses in the banking sector between 1990 and 2005, underscoring the repercussions of inadequate financial practices (Adamu & Mahmood, 2023).

These cases of corporate scandals underscore the critical need for effective corporate governance. Strong corporate governance offers a comprehensive view of the accounting process, which is closely linked to reported earnings. Effective risk management practices, quality audit committee and assurance are paramount for the stability and sustainability of insurance companies, especially in Nigeria's dynamic and volatile market (Hong et al., 2023; Joseph et al., 2023). As regulatory requirements change and market conditions fluctuate, insurance firms face increasing pressure to enhance their risk management frameworks to protect against financial shocks and ensure earnings quality (Oluwagbade et al., 2023). Consequently, the establishment and operation of a robust Risk Management Committee (RMC) within insurance firms have become essential components of sound corporate governance practices. The independence, size, gender diversity, and diligence of RMCs in improving earnings quality, which is vital for maintaining integrity in financial reporting, remain significant topics of interest and discussion (Samani & Arefmanesh, 2024).

Studies have consistently shown that effective risk management practices enhance earnings quality. For instance, Yasser et al. (2019) and Wang et al. (2020) found that companies with strong corporate governance frameworks exhibit superior earnings quality, demonstrated by fewer instances of earnings manipulation. Robust governance promotes accountability, transparency, and ethical behavior, essential for high financial reporting standards. Similarly, efficient risk management significantly impacts earnings quality by mitigating financial risks and ensuring accurate and reliable earnings reports, as noted by Zemzem & Kacem (2024). Research by Simsek et al. (2019) and Liu et al. (2021) also supports that companies with well-established risk management practices tend to have higher earnings quality, as they are better at recognizing and addressing potential risks affecting financial performance. Despite the general findings on risk management and earnings quality, there is limited research specifically on the impact of risk management committees, especially within the Nigerian insurance sector. Most prior studies have focused on broad corporate governance and risk management practices without emphasizing risk management committees in the insurance industry. This study aims to fill this gap by examining the effect of Risk Management Committees on Earnings Quality in Nigerian listed Insurance Companies.

Through rigorous empirical analysis and leveraging insights from corporate governance theories, the objective is to offer a thorough comprehension of how RMCs impact the reliability and pertinence of financial reporting in the Nigerian insurance sector. The outcomes of this research are anticipated to provide significant implications for policymakers, regulators, investors, and industry practitioners within the Nigerian insurance landscape. By offering evidence-based recommendations, this study aims to enrich the ongoing conversation surrounding corporate governance, risk management, and financial transparency in emerging markets, ultimately bolstering the resilience and competitiveness of the Nigerian insurance sector.

2. LITERATURE REVIEW

2.1 Earnings Quality

Abubakar et al. (2022) defined earnings quality as the extent to which reported earnings accurately mirror a company's true financial performance and economic reality. High-quality earnings offer dependable information for investors and stakeholders, facilitating well-informed decisions about the company's financial health and prospects. Alharbi (2023) explored earnings quality in financial statement analysis, characterizing it as the ability of reported earnings to forecast future cash flows. This view highlights the critical role of earnings in providing insight into a company's financial stability and performance. Bala et al. (2023) provided another perspective, emphasizing that earnings quality reflects the degree to which reported earnings represent the true underlying performance. This definition focuses on the idea that high-quality earnings faithfully depict a company's operational and financial reality.

Baskaran et al. (2020) investigate how earnings management as a strategic tool relates to deliberate manipulation within organizations. High-profile scandals and significant corporate failures have underscored the need for trustworthy and transparent financial reporting. Hong et al. (2021) argues that managers, driven by incentive-based targets, often manipulate earnings to meet these targets. Since profit figures are commonly used to determine manager bonuses, this creates a motivation to present financial statements that reflect positively on their performance. As a result, managers may engage in earnings management to artificially boost profits and achieve their goals (Sae-Lim & Jermsittiparsert, 2019). In this context, earnings quality is defined as the degree to which reported earnings accurately represent a company’s true economic performance and provide valuable information to investors and stakeholders. The significance of earnings quality extends globally, as investors and creditors increasingly engage in international capital markets with cross-border investments and multinational corporations.

2.2 Risk Management Committee (RMC)

Agbaje et al. (2024) describe Risk Management Committee (RMC) as a dedicated committee within the organization tasked with crafting policies related to risk management in its operations and ensuring their enforcement. It aids the board of directors fulfill its regulatory responsibilities related to the organization's risk tolerance, risk management strategies, and enforcement practices, among other functions. Risk tolerance denotes the extent and type of risk that an organization is prepared and capable of accepting in its operations, irrespective of its broader objectives or commitments to stakeholders. Zemzem and Kacem (2024) stated that a specialized group known as the Risk Management Committee (RMC) operates within the organization to oversee and address its risk landscape. Comprised of senior management, board members, and experts with relevant expertise, the RMC's main goal is to identify, evaluate, mitigate, and supervise risks that could affect the organization's operations, financial standing, reputation, and stakeholder interests.

According to Somani and Arefmanesh (2024), a risk management committee is essential for improving earnings quality, a key aspect of effective corporate governance that ensures integrity in financial reporting. The RMC is crucial for identifying, evaluating, and managing risks that could affect the organization's financial stability and reputation. The Nigerian Code of Corporate Governance, as outlined by the Securities and Exchange Commission (SEC) (2011), authorizes a company's board to establish a risk committee to facilitate effective risk management. Research indicates that a robust risk committee can improve company performance, with economic success closely linked to strong risk control practices (Oluwagbade et al., 2023). Consequently, the SEC Code of 2011 underscores the significance of the risk committee as an essential part of the board of directors. This study assesses the risk management committee based on aspects such as its independence, size, gender diversity, and the diligence of its meetings.

2.2.1 Risk Committee Independence

Farisdoost et al. (2023) refer risk committee independence as the extent to which the members of a company's risk management committee are free from influences that could compromise their ability to make unbiased decisions regarding the organization's risk management practices. An independent risk committee is typically composed of directors who do not have any material or financial relationships with the company that could affect their judgment. This independence is crucial for ensuring that the committee can objectively assess and manage risks without undue influence from management or other stakeholders. The importance of risk committee independence is highlighted in various corporate governance frameworks and guidelines. For example, the Securities and Exchange Commission (SEC) in the United States emphasizes the need for independent oversight to enhance the effectiveness of corporate governance and risk management (SEC, 2011). Studies have shown that independent risk committees are more likely to provide objective oversight, leading to better risk management practices and improved financial performance (Odubasi et al., 2022).

Moreover, empirical research supports the notion that independent risk committees contribute to higher earnings quality, firm performance, and financial reporting integrity. For instance, Agbaje et al. (2023) found that companies with independent risk committees were better at identifying and mitigating risks, thereby enhancing the overall quality of financial information disclosed to stakeholders. This is particularly important in sectors like insurance, where accurate risk assessment is critical for financial stability and performance (Alduneibat, 2023). Risk committee independence is a key element of effective corporate governance, ensuring that risk management practices are conducted without bias and in the best interests of the organization and its stakeholders.

2.2.2 Risk Committee Size

Agbo et al. (2023) described risk committee size as the number of members constituting a company's risk management committee. The size of this committee can significantly impact its effectiveness in overseeing and managing the organization’s risk profile. A well-sized risk committee can leverage diverse perspectives and expertise, which enhances the quality of risk assessment and decision-making processes. Research indicates that larger risk committees tend to be more effective due to the variety of viewpoints and experiences brought by a greater number of members. Frank and Ukpong (2024) suggest that larger committees can provide more comprehensive oversight and are better equipped to address complex risk management issues. They argue that the multiplicity of perspectives within a larger committee leads to more effective identification and mitigation of potential risks.

However, there is also evidence suggesting that excessively large committees can be counterproductive. Odubasi et al. (2022) found that beyond a certain point, increasing the size of the risk committee may lead to coordination problems and inefficiencies, potentially hindering the committee's performance. Similarly, Ng et al. (2012) and Zemzem and Kacem (2024) reported a negative association between very large risk committees and organizational performance, indicating that there is an optimal size range for such committees. The size of a risk committee is a critical factor that influences its effectiveness. While a larger committee can provide diverse insights and thorough oversight, it is important to balance size to avoid potential inefficiencies. Organizations must consider their unique risk profile and operational complexity when determining the optimal size of their risk committee.

2.2.3 Risk Committee Gender Diversity

Oluwagbade et al. (2023) described risk committee gender diversity as the inclusion of members of different genders within the risk management committee of an organization. This aspect of diversity is crucial as it brings a range of perspectives and approaches to risk management, potentially enhancing the committee's effectiveness. The presence of women in risk committees can also influence the committee's culture and dynamics. Lamidi et al. (2022) suggest that gender-diverse committees are more likely to foster open discussions and collaborative environments, which are essential for effective risk management. These committees benefit from a broader range of experiences and skills, which can enhance their ability to anticipate and respond to risks.

Prior studies indicate that gender diversity within a risk committee can lead to more robust decision-making processes. According to Fali et al. (2020), gender-diverse committees tend to exhibit improved governance and oversight capabilities. They argue that women often bring different viewpoints and risk assessment approaches, which can complement those of their male counterparts, leading to more comprehensive risk management strategies. Additionally, Odubuasi et al. (2022) found that gender diversity on boards, including risk committees, is positively associated with improved corporate social responsibility and performance outcomes. This is partly because women on boards are often more vigilant and better at monitoring, which helps in identifying and mitigating risks more effectively. Gender diversity within risk committees plays a significant role in enhancing the effectiveness of risk management processes. By incorporating diverse perspectives and fostering inclusive decision-making environments, gender-diverse committees can improve the overall quality of risk oversight and contribute to better organizational outcomes.

2.2.4 Risk Committee Meeting

Agbaje et al. (2024) described risk committee meeting diligence as the frequency, thoroughness, and effectiveness of the meetings held by the risk management committee within an organization. This diligence is crucial for ensuring that the committee effectively oversees the identification, assessment, and mitigation of risks, thereby enhancing the overall governance framework of the organization. Alduneibat (2023) opines that the diligence demonstrated by risk committees in their meetings is crucial for effective risk management. Regular, well-structured meetings, with comprehensive discussions and thorough review processes, enhance the committee's ability to oversee and manage risks effectively, thereby contributing to the overall governance and stability of the organization. Prior studies indicate that the regularity and quality of risk committee meetings are directly linked to better risk management outcomes. According to Frank and Ukpong (2024), frequent meetings enable risk committees to stay updated on emerging risks and ensure continuous monitoring and assessment of risk management processes. They argue that regular meetings foster a proactive approach to risk oversight, which is essential for timely identification and mitigation of potential threats.

Moreover, the diligence exercised during these meetings is critical. Faridoost et al. (2023) found that diligent risk committees, which actively engage in discussions and review detailed risk reports, are more effective in their oversight roles. These committees tend to have a deeper understanding of the organization's risk profile and are better equipped to provide strategic guidance on risk-related matters. The quality of discussions and the thoroughness of meeting agendas also play a significant role in the effectiveness of risk committees. Agbo et al. (2023) suggests that well-structured meetings, with comprehensive agendas and detailed risk reports, contribute to more informed decision-making. This thoroughness ensures that all relevant risk factors are considered and addressed appropriately.

2.3 Theoretical Review

This study examined Agency Theory, providing the theoretical foundation for its investigation.

2.3.1 Agency Theory

Agency theory, introduced by Ross and Mitnick in 1973 and expanded by Jensen and Meckling in 1976, explores the dynamics between principals (such as shareholders) and agents (like managers) within organizations. It recognizes that conflicting objectives and information asymmetry between these parties can lead to agency costs. These costs arise from managers potentially not acting in the best interests of shareholders due to differing goals and access to information. To address these conflicts, agency theory highlights the importance of effective governance mechanisms. Risk management committees (RMCs) are pivotal in this context, as they oversee risk management practices on behalf of shareholders, aligning managers' actions with shareholder interests and enhancing earnings quality (Oluwagbade et al., 2023). RMCs help reduce information asymmetry by identifying, assessing, and managing risks, thereby promoting transparency and accountability (Kallamu & Saat, 2015). This transparency reassures shareholders of prudent management and aligns managers' and shareholders' interests. Moreover, RMCs play a crucial role in mitigating earnings manipulation through robust internal controls and oversight mechanisms, ensuring high-quality financial reporting. Their presence is often associated with accurate financial statements that reflect the true financial position of the company (Brown et al., 2014). Additionally, RMCs ensure compliance with financial regulations like the Sarbanes-Oxley Act (SOX) in the US, which enhances the credibility and reliability of reported earnings (Dhaliwal et al., 2011).

Agency Theory is relevant in various organizational contexts, providing insights into executive compensation, managerial decision-making, and corporate governance. Research by Agbaje et al. (2024) and Oluwagbade et al. (2023) found that risk management committees positively impact financial performance by reducing information asymmetry and aligning the interests of managers and shareholders. Similarly, Abubakar et al. (2023) identified a positive relationship between risk management committees and earnings management, supporting these findings with agency theory. However, Agency Theory has several limitations. Critics argue it oversimplifies human behavior by assuming self-interest as the primary motivator, neglecting social, ethical, and altruistic influences (Bear et al., 2010). It also assumes perfect information and rational decision-making, which are unrealistic due to prevalent information asymmetry and biases (Sorensen & Miller, 2017). Furthermore, the theory prioritizes short-term financial outcomes over long-term sustainability and broader societal impacts, potentially encouraging opportunistic behaviors that undermine long-term organizational health (Kartika & Nahumury, 2024). Risk management committees aim to mitigate agency problems by improving oversight and promoting transparency (Beasley et al., 2005). However, their effectiveness can be compromised if they rely solely on agency theory, which may overlook managers' complex motivations. Focusing exclusively on financial metrics and short-term gains might neglect ethical considerations and long-term risks, potentially compromising earnings quality (Brown et al., 2014).

2.4 Empirical Review

This research examined pertinent literature concerning risk management committees and earnings quality in accordance with the study's specific objectives and hypotheses thereby formulated.

2.4.1 Risk Committee Size and Earnings Quality

The link between risk committee size and earnings quality pertains to how the composition and structure of a company's risk management committee influence the accuracy, reliability, and transparency of its financial reporting is crucial for corporate governance and financial reporting integrity. Fali et al. (2020) focused on insurance companies from 2012 to 2018. With a sample size of 24 from a population of 27. Sourced data from annual reports were analysed using regression analysis. Random Effect regression model was applied, it was found that while RMC size and independence did not significantly affect financial performance, RMC expertise had a negative impact, suggesting that excessive risk aversion might lead to poorer performance. Ibrahim et al. (2020) extended this inquiry to banks, observing trivial negative effects of RMC size and independence on financial performance. In contrast, Odubuasi et al. (2021) explored the combined impact of RMCs and

Enterprise Risk Management (ERM) on bank performance, revealing a statistically significant positive effect. Similarly, Oluwagbade et al. (2023) found that RMC attributes significantly influenced the financial performance of listed financial institutions in Nigeria, emphasizing the importance of factors like size, independence, gender diversity, and meeting frequency.

Abubakar et al. (2023) shifted the focus to the deterrent effect of RMCs and institutional investors on real earnings management practices, noting a decrease in manipulation when RMC independence, size, gender diversity, and institutional investors were present. Building on this, Abubakar et al. (2024) examined the broader impact of good corporate governance practices and RMC establishment on investor risks and performance in Iraqi banks. The study found that while board size and independence negatively correlated with performance, financial expertise of the board and RMC independence positively impacted it. Lastly, Fran and Ukpong (2024) concentrated on deposit money banks in Nigeria, finding negative effects of RMC size and independence on financial performance but highlighting the positive impact of committee diligence.

Previous research has examined the relationship between Risk Management Committee (RMC) attributes and financial performance across different sectors, including insurance companies and banks. However, there is still no consensus on how RMC size, independence, and expertise impact earnings quality. For instance, Fali et al. (2020) found differing results in insurance companies compared to those in the banking sector, indicating the need for sector-specific studies. Moreover, while some studies have explored the effect of RMCs on financial performance, there is limited research on how RMC attributes influence real earnings management practices. This highlights the necessity of understanding the broader implications of effective corporate governance practices. This study aims to address these gaps by investigating the relationship between RMC size and earnings quality in Nigerian listed insurance companies, thereby enhancing the understanding of the role of RMCs in corporate governance and financial reporting integrity. Based on these findings, the following hypothesis was proposed:

***H₀₁*:** *Risk committee size has no significant effect on earnings quality of listed insurance firms in Nigeria.*

2.4.2 Risk Committee Independence and Earnings Quality

The relationship between risk committee independence and earnings quality involves examining how the autonomy and impartiality of a company's risk oversight committee influence the accuracy and reliability of its financial reporting. Fali et al. (2020), in their study of listed insurance companies in Nigeria from 2012 to 2018, discovered that while RMC expertise negatively impacted financial performance, factors such as committee size and independence did not have a significant effect. Ibrahim et al. (2020) explored similar dynamics in listed banks from 2009 to 2018, noting trivial negative effects of RMC size and independence on performance, with expertise inversely impacting it. Odubuasi et al. (2021) extended this inquiry to banks in Nigeria, observing positive effects of RMC expertise and combined impacts of ERM and RMC attributes on performance. Conversely, Efenyumi and Okoye (2022) found no significant impact of RMC attributes on profitability reporting in listed Nigerian firms. Elhaj et al. (2022) focused on Malaysian firms, discovering that RMC size, diligence, and qualifications negatively influence Real Earnings Management (REM), while independence has no bearing.

In a broader context, Odubuasi et al. (2022) emphasized the importance of risk committee effectiveness (RCE) in mitigating risks for firms in Nigeria, South Africa, and Ghana, noting significant effects of RCE diligence and composition on bank performance. The results also found that risk committee independence had an insignificant effect on bank performance. Oluwagbade et al. (2023) investigated the impact of RMC attributes on listed financial institutions' performance in Nigeria, finding significant effects of size, independence, gender diversity, and meeting frequency. Abubakar et al. (2023) examined the deterrent effect of RMC independence, size, gender diversity, and institutional investors on real earnings management practices, observing a decrease in manipulation when these factors were present. Finally, Fran and Ukpong (2024) explored the influence of RMC on listed deposit money banks in Nigeria, highlighting insignificant effects of size and independence on financial performance but emphasizing the positive impact of committee diligence. Overall, these studies underscore the complexity of the relationship between RMC attributes and financial performance, with varying findings across different sectors and regions, suggesting the need for further research to elucidate optimal RMC compositions and functions.

The existing research has explored this relationship across different sectors and regions, findings have been inconsistent. Fali et al. (2020) and Ibrahim et al. (2020) focused on insurance companies and banks in Nigeria, respectively, with varying results regarding the impact of RMC expertise, size, and independence on financial performance. Similarly, studies by Odubuasi et al. (2021), Elhaj et al. (2022), and Oluwagbade et al. (2023) have highlighted the complexity of RMC dynamics, with mixed findings on the effects of RMC attributes on performance metrics. Abubakar et al. (2023) and Fran and Ukpong (2024) further contribute to this discourse by examining the deterrent effect of RMC attributes on real earnings management practices and the influence of RMC diligence on financial performance in Nigerian banks. These studies underscore the need for further research to elucidate the optimal composition and functions of RMCs in enhancing financial reporting integrity and performance. The research hypothesis of this study posits that greater independence of the risk committee positively impacts earnings quality, as it enhances oversight and reduces the likelihood of biased reporting practices. Thus, based on the foregoing, it was hypothesized that:

***H_{02}*:** *Risk committee independence has no significant effect on the earnings quality of listed insurance companies in Nigeria.*

2.4.3 Risk Committee Gender Diversity and Earnings Quality

The link between risk committee gender diversity and earnings quality examines how the inclusion of diverse gender representation within a company's risk management committee affects the reliability and accuracy of its financial reporting. Odubuasi et al. (2020) examined the impact of RMC attributes on listed banks in Nigeria, finding that while committee size and composition had insignificant effects on performance, gender diversity significantly and positively affected financial performance. However, this study was limited to the Nigerian Stock Exchange and did not consider broader factors such as

Enterprise Risk Management (ERM). Odubuasi et al. (2021) expanded the scope to include the combined effect of RMCs and ERM on Nigerian bank performance. They found that RMCs (size, independence, and gender diversity) positively impacted performance, alongside positive effects from ERM. However, this study's reliance on discretionary sampling may limit its generalizability. Lamidi et al. (2022) explored RMC attributes and their influence on deposit money banks (DMBs) in Nigeria, finding negative impacts of size and independence on DMB performance. However, the study did not consider broader factors such as ERM. Akpan and Akai (2022) delved into the impact of RMC attributes on Nigerian DMBs, finding a positive effect of RMC diligence on financial performance but negative effects of size, gender diversity, and independence.

Abubakar et al. (2023) focused on the deterrent effect of independent RMCs and institutional investors on real earnings management practices, observing a decrease in manipulation with the presence of certain RMC attributes. However, the study's scope was limited to a specific timeframe and may not account for longer-term effects. Oluwagbade et al. (2023) investigated the impact of RMC structure on the financial performance of listed financial institutions in Nigeria, finding significant effects of size, independence, gender diversity, and meeting frequency on performance. However, the study's focus on the Nigerian Exchange Group may limit generalizability to other contexts. Alduneibat (2023) examined RMC characteristics in an emerging corporate governance context, finding mixed effects on firm value. While RMC gender diversity had no effect, other factors like ERM and Corporate Social Responsibility (CSR) negatively impacted firm value. Abubakar et al. (2024) investigated the impact of corporate governance practices and RMC establishment on Iraqi banks, finding negative relationships between board size/independence and bank performance, while RMC independence positively impacted performance. Overall, while these studies offer valuable insights into the relationship between RMC attributes and financial performance, there are inconsistencies in findings and limitations in scope and methodology. Future research could benefit from addressing these gaps to provide a more comprehensive understanding of RMC dynamics and their impact on financial performance across different contexts.

Previous studies, such as those by Odubuasi et al. (2020) and Lamidi et al. (2022), have examined various RMC attributes but have yielded inconsistent findings regarding the effects of committee size, independence, and gender diversity on financial performance. Additionally, while some studies, like that of Oluwagbade et al. (2023), have found significant effects of RMC attributes on performance, they have been limited in scope to specific stock exchanges or regions, potentially limiting generalizability. Moreover, studies such as Alduneibat (2023) and Abubakar et al. (2024) have explored the broader context of corporate governance practices and their impact on financial performance but have not extensively focused on the specific influence of gender diversity within RMCs. Therefore, this study seeks to fill these gaps by investigating the direct relationship between risk committee gender diversity and earnings quality, hypothesizing that greater gender diversity within RMCs positively impacts earnings quality by enhancing decision-making processes and mitigating biases in financial reporting practices. Based on the above facts, it was hypothesized that:

H_{03}*: Risk committee gender diversity has no significant effect on the earnings quality of listed insurance companies in Nigeria.

2.4.4 Risk Committee Meeting and Earnings Quality

The link between risk committee meetings and earnings quality focuses on how the frequency and effectiveness of meetings held by a company's risk management committee impact the accuracy and reliability of its financial reporting. Elhaj et al. (2022) examined the impact of RMC characteristics on Real Earnings Management (REM) in Malaysian publicly listed firms. While the study found that the size, diligence, and qualifications of RMC members negatively influence REM, the independence of RMC had no bearing. This study fills a gap in empirical research on the influence of RMC attributes on reporting quality and performance. Efenyumi and Okoye (2022) evaluated the influence of RMC independence and meeting diligence on the profitability reporting of listed companies in Nigeria. Through Ordinary Least Squares (OLS) analysis, they determined that these attributes had no significant impact on profitability reporting. However, this study lacks a comprehensive analysis of other potential RMC attributes and their effects. Odubuasi et al. (2022) highlighted the importance of RMC effectiveness (RCE) in mitigating risks for firms, focusing on banks in Nigeria, South Africa, and Ghana. Their Fixed Effect Model (FEM) analysis revealed a highly significant effect of RCE meeting diligence and composition on bank performance across the three countries. This study provides valuable insights into the broader impact of RMC attributes on financial performance.

Lamidi et al. (2022) investigated RMC attributes and their influence on the financial performance of deposit money banks (DMBs) in Nigeria. They found that the size and independence of RMCs negatively impacted DMB performance, while the meeting/diligence of committee meetings did not show significant effects. However, this study did not consider other potentially relevant RMC attributes. Agbaje et al. (2024) investigated the impact of Risk Management Committee (RMC) composition, structure, and activities on financial performance metrics, particularly Return on Assets (ROA), in Nigerian insurance companies. Their findings indicated that RMC size and frequency of meetings had a positive effect on financial performance, whereas independence and gender diversity had negligible effects. Similarly, Oluwagbade et al. (2023) examined the influence of RMC attributes on the financial performance of financial institutions listed on the Nigerian Exchange Group, finding that attributes such as size, independence, gender diversity, and meeting frequency significantly impacted financial performance. This study offers valuable evidence supporting the importance of various RMC attributes in driving financial performance.

Previous research, such as that by Elhaj et al. (2022), has examined the relationship between RMC characteristics and reporting quality, there remains a gap in empirical research regarding the direct influence of RMC meeting frequency and diligence on earnings quality. Additionally, studies by Efenyumi and Okoye (2022) and Lamidi et al. (2022) have evaluated the effects of RMC independence and meeting diligence on profitability reporting and financial performance, respectively, but have not comprehensively considered the influence of other potential RMC attributes. Therefore, this study seeks to fill these gaps by investigating the specific impact of RMC meeting frequency and diligence on earnings quality, hypothesizing that greater meeting frequency and diligence positively influence earnings quality by enhancing oversight and decision-making processes, thereby reducing the likelihood of biased reporting practices and improving financial reporting integrity. In line with the findings above, it was hypothesized that:

***H_{04}:** Risk committee meeting has no significant effect on earnings quality of listed insurance companies in Nigeria.*

2.5 Conceptual Framework

Figure 1 illustrates the dynamic relationship between the independent variable, the Risk Management Committee (RMC)**,** and the dependent variable, earnings quality. The figure highlights how various attributes of the Risk Management Committee, such as size, independence, gender diversity, and meeting frequency, interact to influence the overall quality of a company's reported earnings. Through these interactions, Figure 1 visually represents how enhancements in the structure and functioning of the RMC can lead to better risk management, which in turn improves the transparency, accuracy, and reliability of the company's earnings.

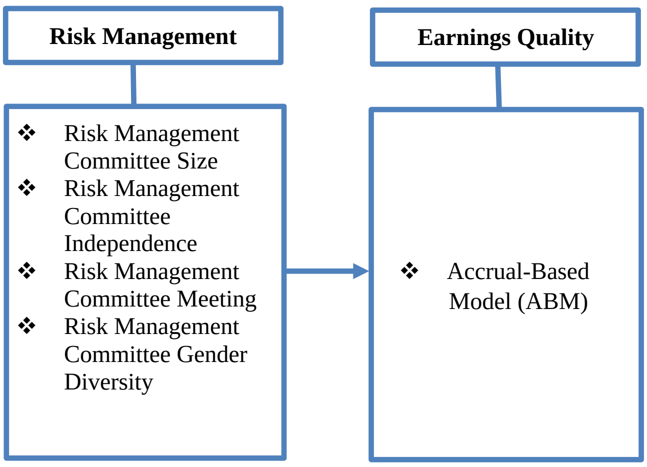

Fig. 1. Conceptual Framework
Source: Authors' Concepts (2024)

3. METHODOLOGY

3.1 Research Design

This study utilized an expo-facto research design. The selection of an ex-post facto research design was made to gather existing data without any manipulation.

3.2 Source of Data

Data were collected from annual reports, corporate governance disclosures, and financial databases of listed Nigerian insurance firms.

3.3 Population and Sampling Technique

The study population consisted of 12 insurance firms listed on the Nigerian Exchange Group (NGX), with census sampling techniques applied to encompass the entire population. The research covered 12 years, spanning from 2012 to 2023, to account for the timeframe when the Nigerian Stock Exchange (NSE) transitioned to become the Nigerian Exchange Group (NGX) and to provide for a robust analysis.

3.4 Model Specification

The econometric model used in this study is based on the framework developed by Oluwagbade et al. (2023) to examine the relationship between the independent and dependent variables. It is outlined as follows:

$$FP = \alpha 0 + \beta_1 RMCS_{it} + \beta_2 RCID_{it} + \beta_3 RMCM_{it} + \beta_4 RCGD_{it} + \varepsilon_{it} \quad (1)$$

Where:
FP = Financial Performance
RCMC = Risk Management Committee Size
RCID = Risk Management Committee independence
RCMT = Risk Management Committee Meeting
RCGD = Risk Management Committee Gender Diversity
$\alpha 0$ = Constant
Σ = Stochastic Error Term
β_0 = Intercept
β_1, β_2, β_3, β_4 = The Coefficients of the independent variable
The *a-priori* expectation = β_1, β_2, β_3, $\beta_4 > 0$, this suggests that a positive correlation is anticipated between the explanatory variables and the dependent variable.

3.5 Measurement and Description of Variables

Table 1 shows the description, measurement, data source, and literature evidence of the investigated variables.

Table 1. Measurement and Description of Research Variables

SN	Variable	Description	Measurement	Data Source	Literature Evidence
1	Accrual-Based Model (ABM)	The Accrual-Based Model (ABM), specifically the Jones Model, is a widely used method in accounting research for detecting earnings management through the manipulation of accruals. The Jones Model is based on the idea that total accruals can be separated into discretionary and non-discretiona	It is calculated by deducting expected accruals from total accruals.	Annual Financial Reports.	Chen et al. (2018); Jones (1991)

		ry components.			
2	Risk Committee Size (RCMS)	Risk Committee Size (RCMS) refers to the number of members on a company's risk management committee.	Expressed as the total members (directors and non-directors) in the risk committee.	Corporate Governance Disclosures.	Agbaje et al. (2024); Oluwagbade et al. (2023)
3	Risk Committee Independence (RCID)	Risk Committee Independence (RCID) refers to the extent to which the members of a company's risk management committee are independent from the organization's management and have no material relationships that could influence their impartiality.	Expressed as the ratio of non-directors and non-executive directors within the risk committee divided by the total size of the risk committee (as a percentage).	Corporate Governance Disclosures.	Agbaje et al. (2024); Oluwagbade et al. (2023)
4	Risk Committee Meeting (RCMT)	Risk Committee Meeting (RCMT) refers to the regular and structured gatherings of a company's risk management committee to discuss, review, and address various risk-related issues.	Measured as the total count of gatherings convened by the risk committee members within a single year.	Corporate Governance Disclosures.	Agbaje et al. (2024); Oluwagbade et al. (2023)
5	Risk Committee Gender Diversity (RCGD)	Risk Committee Gender Diversity (RCGD) refers to the inclusion of members of different genders within a company's risk management committee.	Measured as the proportion of female members in the risk committee in relation to the overall size of the risk committee (expressed as a percentage).	Corporate Governance Disclosures.	Agbaje et al. (2024); Oluwagbade et al. (2023)

Source: Researchers' compilation (2024)

3.6 Data Analysis Techniques

This study employed descriptive statistics (mean, median, variance, standard deviation, skewness, and kurtosis) and inferential statistics (panel regression analysis, correlational analysis etc.) to conduct data analysis.

4. DATA ANALYSIS AND DISCUSSION OF FINDINGS

4.1 Descriptive Statistics

The descriptive analysis of variables is reported in Table 2. The results shows that earnings quality (ENQLY) of the firms sampled on the average is -0.0988 with standard deviation of 0.1818 and this indicate that most of the insurance companies has a less quality of earnings reported and the variation is high across the sampled firms while the standard error of mean implied that the sample mean is a reflection of the actual population having a small value close to zero (0) indicating 0.0115. Insurance firms with the least earnings quality has -0.58 while the maximum earning quality reported is 0.27 which imply there are insurance firms with good quality of earnings reported. The total sum of earnings quality (ENQLY) reported is -24.51 and the data is negatively skewed and have normal distribution. From Table 2, it is observed that risk committee size (RMCSZ) for sampled firms on the average is 3.9325 which can be rounded as 4 members with standard deviation of 2.3361. The standard deviation value shows that there is moderate variability in the risk committee size (RMCSZ) across the sampled listed insurance firms while the standard error of mean implied that the sample mean reflects the actual population having a small value of 0.1472. Insurance firms with the least risk committee size (RMCSZ) has 0 while the maximum size is 9 and the total sum of the risk committee size (RMCSZ) represent 991. The data is negatively skewed and normally distributed.

Furthermore, on Table 2, it is observed that risk committee gender diversity (RMCGD) for sampled firms on the average is 0.1128 with standard deviation of 0.1655. The standard deviation value which shows that there is moderate variability in the risk committee gender diversity (RMCGD) while the standard error of mean implied that the sample mean reflects the actual population having a small value compared to the mean 0.0104. Insurance firms with the least risk committee gender diversity (RMCGD) has 0 while the maximum risk committee gender diversity (RMCGD) is 0.75 and the total sum of the percentage represent 28.4381. The data is positively skewed and normally distributed. More so, risk committee meetings (RMCMT) for sampled insurance firms on the average is 3.9087 with standard deviation of 1.9566. The standard deviation value shows that there is high variability in the risk committee meetings (RMCMT) across the sampled

Insurance firms while the standard error of mean implied that the sample mean reflects the actual population having a small value compared to the mean 0.1233. Insurance firms with the least risk committee meetings (RMCMT) has 0 implying no meeting was held by the committee while the maximum meeting held is 9 and the total sum of the risk committee meetings (RMCMT) represent 985. The data is negatively skewed and abnormally distributed.

Lastly on Table 2, risk committee independence (RMCID) for sampled insurance firms on the average is 0.3355 implying 33.35 percent with standard deviation of 0.3536. The standard deviation value shows that there is low variability in the risk committee independence (RMCID) across the sampled Insurance firms while the standard error of mean implied that the sample mean reflects the actual population having a small value compared to the mean 0.0223. Insurance firms with the least risk committee independence (RMCID) has 0 implying some firms risk management committee lacks independence while the maximum level of independence is 100 percent, and the total sum of the risk committee independence (RMCID) represent 84.55. The data is positively skewed and normally distributed.

Table 2. Descriptive Statistics

Statistics	ENQLY	RMCSZ	RMCGD	RMCMT	RMCID
Obs	276	276	276	276	276
Mean	-0.0988	3.9325	0.1128	3.9087	0.3355
S.D.	0.1818	2.3361	0.1655	1.9566	0.3536
Se(mean)	0.0115	0.1472	0.0104	0.1233	0.0223
Min	-0.58	0	0	0	0
Max	0.27	9	0.75	9	1.0000
Sum	-24.51	991	28.4381	985	84.55
Skewness	-0.3725	-0.2566	1.1640	-0.0542	0.4438
Kurtosis	3.3570	2.6956	3.2686	3.7603	1.7099

Source: Researchers' Computation (2024)

4.2 Test of Variables

This section conducts essential pre-estimation and post-estimation tests to ensure the reliability and validity of the research findings. Pre-estimation tests like the unit root test and correlation analysis check for data stationarity and multicollinearity, while post-estimation tests such as the Hausman and heteroscedasticity tests confirm model robustness and address variance inconsistencies.

4.2.1 Panel Unit Root Test of the Variables

Table 3 presents the results of the unit root tests, indicating that all variables are integrated of order zero, or 1(0), which is significant at the 5 percent level. Consequently, we reject the null hypothesis and conclude that the series is stationary. As a result, there is no need to perform a co-integration test to assess the long-term relationships among the variables. The panel least squares method is adequate for estimating an efficient and less spurious model.

Table 3. Panel Unit Root Test

Variable	Harris-Tzavalis unit-root test		Im-Pesaran-Shin unit-root test	
	z-statistics	P-value	Z-Statistics	P-value
ENQLY	-9.2194	0.0000	-6.4186	0.0000
RMCSZ	-5.2546	0.0000	-1.8831	0.0298
RMCGD	-5.3300	0.0000	-3.4879	0.0002
RMCM	-8.5117	0.0000	-2.2390	0.0126
RMCID	-4.0157	0.0000	-2.2250	0.0130

Source: Researchers' Computation (2024)

4.2.2 Correlation Analysis

Table 4 shows the results of a pairwise correlation coefficient test to determine the linear relationship between earnings quality (ENQLY) and Risk management committee attributes. The data revealed invers and insignificant relationship between earnings quality (ENQLY) and risk management committee size (RMCSZ), as evidenced by the coefficient value of -0.0667 and probability of 0.2952. Furthermore, it is demonstrated that for insurance firms, there is a negative correlation between risk management committee gender diversity (RMCGD) and earnings quality (ENQLY), with a coefficient value of -0.1516 indicating an inverse relationship because an increase in risk management committee gender diversity (RMCGD) will result to 15.16 percent increase in earnings quality (ENQLY). Furthermore, Table 4 shows a direct and positive linear association between listed insurance firms risk management committee meetings (RMCMT) and earnings quality (ENQLY). The results are evidenced with a coefficient of 0.0871 and p-value of 0.1716 which imply insignificant correlation. Furthermore, the correlation results shows that risk management committee independence (RMCID) has positive but insignificant effect on earnings quality (ENQLY) and this is evidenced with a coefficient of 0.0166 and p-value of 0.7953which imply that one time increase in risk management committee independence (RMCID) will increase earnings quality (ENQLY) by 1.66 percent. Lastly from the table, it is further observed from that the relationship between the independent variables are not strong in a way that depict multicollinearity.

4.3 Post-Estimation Tests

Error test for model specification is conducted using Ramsey RESET test. The results show probability of 0.1237 and this indicate that the model has no omitted variable bias and that there are no other variables that needed to be added to the model.

Table 4. Correlation Analysis of Study Variables

Variables	Pairwise Correlation	ENQLY	RMCSZ	RMCGD	RMCMT	RMCID
ENQLY	Coefficient	1.0000				
	Sig.	-				
RMCSZ	Coefficient	-0.0667	1.0000			
	Sig.	(0.2952)	-			
RMCGD	Coefficient	-0.1516*	0.1963*	1.0000		
	Sig.	(0.0169)	(0.0017)	-		
RMCMT	Coefficient	0.0871	0.3671*	0.1352*	1.0000	
	Sig.	(0.1716)	(0.0000)	(0.0319)	-	
RMCID	Coefficient	0.0166	0.3223*	0.1812*	0.0325	1.0000
	Sig.	(0.7953)	(0.0000)	(0.0039)	(0.6981)	

Source: Researchers' Computation (2024)

The heteroscedasticity test was performed to verify the assumption of homoscedasticity, which posits that the variance of residuals remains constant. The Breusch-Pagan/Cook-Weisberg test results, shown in Table 5, reveal the presence of heteroscedasticity, indicated by a probability value of 0.0215, which is below the 0.05 threshold. Additionally, the study assessed autocorrelation using the Wooldridge test for panel data, which examines the correlation of variable values over time. The test results, presented in Table 5, show a probability value of 0.0478, highlighting a significant autocorrelation issue and leading to the rejection of the null hypothesis of no first-order correlation.

Furthermore, the cross-sectional dependence test was conducted, with results shown in Table 5. The test accepted the null hypothesis of no cross-sectional dependence, as the statistics indicate a value of 2.457 with a probability of 0.9347. This suggests that, under fixed-effect conditions, the risk management committee attributes do not exhibit cross-sectional dependence. To address the observed estimation issues, the panels corrected standard errors (PCSE) with heteroskedasticity correction will be used. The Hausman test was employed to determine the suitable model between fixed effects and random effects. The results favored the random effects model, with a probability value of 0.9412, indicating that the differences in coefficients are not systematic. The choice between random effects and pooled OLS regression was further examined using the Breusch and Pagan Lagrangian multiplier test for random effects. The results indicated that the random effects model is the most appropriate, supported by a significant p-value of 0.0000.

Table 5. Summary of Post Estimation Test Results

Ramsey RESET test		
Null Hypothesis	F-Statistics	Probability
Ho: model has no omitted variables (P>0.05)	1.94	0.1237
Tolerance and VIF Value		
Null Hypothesis	VIF	Mean VIF
There is no multicollinearity among the variables (1/VIF >0.10)	-	1.17
Breusch-Pagan / Cook-Weisberg test for Heteroscedasticity		
Null Hypothesis	Chi2 Statistics	Probability
Constant variance across the variable's residuals (P>0.05)	5.27	0.0217
Wooldridge test for autocorrelation		
Null Hypothesis	F-Statistics	Probability
No first-order autocorrelation (P>0.05)	4.444	0.0478
Pesaran's test of cross sectional independence		
Null Hypothesis	Statistics	Probability
There is no cross-sectional dependence (P>0.05)	0.082	0.9347
Hausman Test		
Null Hypothesis	Statistics	Probability
Difference in coefficients not systematic (P>0.05)	0.78	0.9412
Breusch and Pagan Lagrangian multiplier test for random effects		
Null Hypothesis	Statistics	Probability
Difference in coefficients not systematic (P<0.05)	41.15	0.0000

Source: Researchers' Computation (2024)

4.3.1 Fixed- Effect Model Test, Random-Effect and Pooled Ordinary Least Square

As reported in Table 6, the model explaining the linearity of the risk management committee and earnings quality is significant for the three model as the F-statistics shows that the model is different from zero and the probability is significant. Since the fixed effects model is a within regression, its R-square value of 4% indicates that only a small portion of the variation in the outcome variable is explained by the explanatory variables. Similarly, the random effects model also shows an R-square of 4%, reflecting a minimal variation in the outcome variable explained by the explanatory variables. The pooled OLS regression model shows an R-square of 5%, suggesting a moderate level of variation in the outcome variable explained by the explanatory variables.

Considering the individual impact of risk management committee attributes on earnings quality (ENQLY), the results indicate that the size of the risk management committee (RMCSZ) has a negative and insignificant effect, with a t-statistic of -1.59 and a p-value of 0.114. Risk management committee gender diversity (RMGD) also shows a negative and insignificant effect on earnings quality, with a t-statistic of -1.36 and a p-value of 0.176. In contrast, risk management committee meetings (RMCMT) have a positive and significant effect on earnings quality, evidenced by a t-statistic of 2.51 and a p-value of 0.013. Additionally, risk management committee independence (RMCID) has a positive but insignificant effect on earnings quality, with a t-statistic of 0.57 and a p-value of 0.566.

According to the results presented in Table 4.4 for the random-effects linear regression model, the risk management committee size (RMCSZ) shows a negative and insignificant effect on earnings quality (ENQLY), with a z-statistic of -1.73 and a p-value of 0.083. Similarly, risk management committee gender diversity (RMGD) has a negative and insignificant effect on earnings quality among insurance companies in Nigeria, with a z-statistic of -1.79 and a p-value of 0.073. Conversely, risk management committee meetings (RMCMT) have a positive and significant effect on earnings quality, evidenced by a z-statistic of 2.56 and a p-value of 0.010. Additionally, risk management committee independence

(RMCID) shows a positive but insignificant effect on earnings quality, with a z-statistic of 0.85 and a p-value of 0.398.

The results from the Pooled OLS Model, as shown in the table, indicate that the risk management committee size (RMCSZ) has a negative and insignificant effect on earnings quality (ENQLY), with a t-statistic of -1.61 and a p-value of 0.109. In contrast, risk management committee gender diversity (RMGD) has a negative and significant effect on earnings quality, with a t-statistic of -2.53 and a p-value of 0.012. Additionally, risk management committee meetings (RMCMT) have a positive and significant effect on earnings quality, with a t-statistic of 2.19 and a p-value of 0.029. On the other hand, risk management committee independence (RMCID) shows a positive but insignificant effect on earnings quality, with a t-statistic of 1.15 and a p-value of 0.252.

Table 6. Regression Results

	Fixed-Effect Model			Random-Effect Model			Pooled OLS Model		
ENQLY	Coeff.	t	P>|t|	Coeff.	z	P>z	Coeff.	t	P>|t|
RMCSZ	-0.011	-1.59	0.114	-0.010	-1.73	0.083	-0.009	-1.61	0.109
RMCGD	-0.119	-1.36	0.176	-0.142	-1.79	0.073	-0.178	-2.53	0.012
RMCMT	0.018	2.51	0.013	0.017	2.56	0.010	0.013	2.19	0.029
RMCID	0.031	0.57	0.566	0.037	0.85	0.398	0.039	1.15	0.252
_cons	-0.122	-3.59	0.000	-0.120	-3.26	0.001	-0.110	-3.79	0.001
R-squared	=	0.0410		R-squared	=	0.0445	R-squared	=	0.0466
F (4,227)	=	2.54		Wald chi2(4)	=	11.18	F (4,243)	=	2.97
Prob > F	=	0.0410		Prob > chi2	=	0.0246	Prob > F	=	0.020

Source: Researchers' Computation (2024)

4.4 Risk Management Committee (RMC) and Earnings Quality of Listed Nigerian Insurance Firms

As reported in Table 7, the model specification test revealed that random effect model is more appropriate for interpretation. However, to correct statistical problems that made the model negate the assumption of linear regression, the effect of risk management committee proxied by risk management committee size (RMCSZ), risk management committee gender diversity (RMCGD), risk management committee meetings (RMCMT) and risk management committee independence (RMCID) on earnings quality (ENQL) is inferred from the result of Prais-Winsten regression. This is a panel corrected standard error regression computed after correcting observed statistical problems identified in the pre and post estimation tests. The regression corrected the heteroscedasticity and serial autocorrelation problems making it suitable for interpretation. Probability value and the Z-statistics is used as the indices of interpretation for the linear relationship.

The overall results indicate that the risk management committee significantly impacts earnings quality, as evidenced by a Wald chi² statistic of 16.12 with a p-value of 0.0029, which is significant at the 5 percent level. This suggests that the model used for the analysis is statistically significant. The risk management committee attributes account for 11.65 percent of the variance in earnings quality. Specifically, the regression results show that risk management committee size (RMCSZ) has a negative and significant effect on earnings quality (ENQLY), with a z-statistic of -2.43 and a p-value of 0.015. The implication of the result is that the size of this committee can significantly impact its effectiveness in managing the organization's risk profile and the evidence from the descriptive statistics shows that the committee for insurance companies is excessively large and this have made them counterproductive. The committee size (RMCSZ) number has caused decrease in earnings quality because the multiplicity of perspectives as resulted to less coordination.

The findings of this study corroborate the results of similar studies such as Fran and Ukpong (2024) which examines the effect of risk management committee on performance of deposit money banks in Nigeria. The study finds out the negative effects of risk committee size on banks performance and risk committee diligence measured by no of meetings has positive and significant impact. It equally supports the result of Abubakar et al. (2024) which investigated the impact of corporate governance practices and risk management committee establishment on Iraqi banks and found out that risk management committee independence positively impacted sampled banks performance. It contradicts the result of Fali et al. (2020) which considered how the risk management committee of listed insurance companies influence their company performance, and it was found that the committee size and independence did not significantly affect financial performance. It likewise contradicts the submission of Odubuasi et al. (2021) which explored the combined impact of RMCs and Enterprise Risk Management (ERM) on bank performance and the study findings revealed a statistically significant positive effect. Equally, the findings negate the result of similar study in Malaysian carried out by Elhaj et al. (2022) which focused on risk management size, diligence, and qualifications and submitted that they all have negative influence on Real Earnings Management (REM).

The result presented on Table 7 shows that risk management committee gender diversity (RMCGD) has z-statistics of -2.23 and P-value of 0.0026 and this indicate negative and significant effect on earnings quality (ENQLY). This indicates that though the presence of women in risk committees can influence the committee's efficiency, the gender diversity in insurance firms risk management committee has led to weakened oversight and this led to failure of reported earnings reflect true underlying performance as the devotion to the unique function of the committee might be enormous for women. The findings are consistent with the findings of Alduneibat (2023) who found that risk committee gender diversity negatively and significantly affect firm value. It negates the findings of Odubuasi et al. (2020) who found that risk committee gender diversity positively and significantly affected financial performance of listed banks in Nigeria.

Likewise on Table 7, it is shown that risk management committee meeting (RMCMT) has positive effect and significant effect on the earnings quality (ENQLY) of listed insurance firms in Nigeria. This is evidenced by z-statistics of 2.68 and probability value of 0.0007. This imply the risk management committee of insurance firms in Nigeria are diligent and has demonstrated regular and well-structured meetings as shown by the number of meetings in the descriptive statistics and this might have enhanced their ability to oversee the risk issues pertaining to financing and investing in the company in a way that the interest of investors is protected to ensure earnings quality. The findings support the work of Oluwagbade et al. (2023) who found that risk committee meetings had significant effect on the financial performance of listed financial institutions in Nigeria. However, the finding negates the findings of This Elhaji et al. (2022) who found that risk committee meetings did not significantly affect financial performance.

Furthermore, the results revealed that risk management committee independence (RMCID) has positive control on the effect of earnings quality (ENQLY) and the effect significance showing z-statistics of 2.05 and probability value of 0.041. This imply that the extent to which the members of the risk management committee are free from influences that could compromise their ability has enable them to make unbiased decisions that produced sound judgment, and ethical decisions guide the company investment and risk management. This efficiency brought in by independence of the firms has uphold the true and fair view of earnings reported by management as there is overall good performance that needs to manipulation. The findings of the study corroborate the results of similar studies such as Oluwagbade et al. (2023) who found that risk committee meetings had significant effect on the financial performance of listed financial institutions in Nigeria. It equally supports the result of Odubuasi et al. (2021) who found that risk committee independence had a positive and significant effect on financial performance of Nigerian banks. However, the results contradict the result of Fali et al. (2020) which considered how the risk management committee of listed insurance companies influence their company performance, and it was found that the committee size and independence did not significantly affect financial performance. It likewise contradicts the submission of Efenyewumi and Okoye (2022) who found that risk committee independence had no significant effect on profitability reporting in Nigerian listed firms.

Table 7. Panels Corrected Standard Errors Regression

SRQ	Coef.	Het-corrected Std Error	Z	P>z
RMCSZ	-0.0134	0.0055	-2.43	0.015
RMCGD	-0.1703	0.0765	-2.23	0.026
RMCMT	0.0173	0.0064	2.68	0.007
RMCID	0.0769	0.0376	2.05	0.041
_cons	-0.124	0.0342	-3.63	0
OBS	248			
R-squared	0.1165	Number of groups	31	
Wald chi2(4)	16.12	Prob > chi2	0.0029	
Rhos	0.741			

Source: Researcher's Computation (2024)

4.5 Discussion of Findings

The regression result showed that risk management committee size has negative and significant effect on earnings quality of listed insurance firms in Nigeria. The negative and significant effect of risk management committee size on earnings quality suggests that larger committees may hinder effective decision-making and oversight, potentially leading to poorer financial reporting outcomes. This implies that insurance firms may benefit from maintaining a more streamlined and focused risk management committee to enhance earnings quality. According to agency theory, mechanisms such as the risk management committee are essential in mitigating agency problems by ensuring that management acts in the best interest of shareholders, particularly through transparent and accurate financial reporting. The negative and significant effect of risk management committee size on earnings quality, as observed in this study, aligns with agency theory by suggesting that larger committees may dilute accountability and complicate decision-making processes, ultimately weakening the committee's ability to effectively oversee financial reporting. This finding echoes the assertions of Aborode et al. (2023), who argued that large committees might struggle with coordination and effective oversight, leading to inefficiencies that compromise earnings quality.

From an agency theory perspective, these inefficiencies represent a failure to align management's actions with shareholder interests, potentially allowing for earnings manipulation or misreporting. Similarly, risk management committee gender diversity has negative and significant effect on earnings quality of listed insurance firms in Nigeria. The negative and significant impact of gender diversity on earnings quality raises concerns about the integration of diverse perspectives within the committee. While diversity is generally viewed positively, this finding implies that simply increasing gender diversity without addressing the dynamics and effectiveness of the committee may not enhance earnings quality. Firms may need to focus on how diversity is managed and leveraged within the committee to positively influence financial reporting. The negative effect of risk management committee gender diversity on earnings quality raises concerns within the framework of agency theory. While diversity is generally seen as a positive attribute that could bring different perspectives to the committee's oversight functions, Ahmed and Hossain (2022) caution that without proper management, gender diversity may introduce communication barriers and challenges in consensus-building, thereby undermining the committee's effectiveness in safeguarding against agency problems like earnings management.

On the other hand, the results also showed that risk management committee meeting has positive and significant effect on the earnings quality of listed insurance firms in Nigeria. The positive and significant effect of the frequency of risk management committee meetings on earnings quality underscores the importance of regular and active engagement in risk oversight. This suggests that frequent meetings allow for more thorough monitoring and timely responses to risks, ultimately contributing to better earnings quality. Insurance firms should ensure that their risk management committees meet regularly to discuss and address potential risks. The positive and significant effect of frequent risk management committee meetings on earnings quality indicates the agency theory assertion that active and regular oversight is critical to aligning the interests of management with those of shareholders. Regular meetings provide a platform for timely monitoring and addressing risks, which, as supported by Musa and Ganiyu (2023), is essential for maintaining high earnings quality. This finding reinforces the idea that active engagement by the committee is necessary to mitigate agency problems and ensure that financial reports accurately reflect the firm's financial position. Furthermore, the results revealed that risk management committee independence has positive and significant effect on earnings quality of listed insurance firms in Nigeria.

The positive and significant effect of risk management committee independence on earnings quality highlights the value of having independent members who are not influenced by management. This independence appears to enhance the objectivity and rigor of the committee's oversight, leading to higher-quality earnings. Consequently, insurance firms should prioritize appointing independent members to their risk management committees to bolster the integrity of their financial reporting. The positive effect of risk management committee independence on earnings quality is strongly aligned with agency theory, which emphasizes the importance of having independent, objective oversight to reduce the likelihood of management acting in its own interest rather than that of the shareholders. Ojo and Adebayo (2022) assert that independent members are better positioned to provide unbiased scrutiny, thereby enhancing the integrity of financial reporting and minimizing agency conflicts.

In summary, the study's findings reinforce the relevance of agency theory in understanding the impact of risk management committee characteristics on earnings quality. The results suggest that while aspects like size and diversity are important, they must be managed effectively within the framework of regular meetings and strong independence to fully mitigate agency problems and enhance financial reporting quality. Insurance firms in Nigeria should prioritize these aspects to optimize their risk management practices and ensure alignment with shareholder interests. The policy implications of these findings should encourage the board of directors of insurance firms to reconstitute their risk management committees, given the critical role and unique benefits that certain committee attributes have in maintaining high earnings quality. Considering the complex nature of the insurance business, effective risk management is essential, and ensuring that the committee is well-structured, and functions efficiently is crucial for helping the board fulfill its role, particularly in managing business risks. This aligns with the findings of Kwanbo and Tukur (2022), who emphasized the importance of a well-functioning risk management committee in maintaining financial stability in insurance firms. Furthermore, the study's findings, as inferred from the descriptive statistics, should prompt regulators to increase scrutiny of insurance companies, especially when their reports indicate negative earnings quality. As earnings management is often at the root of major corporate scandals, including those in Nigeria, it is imperative to protect investors' interests through rigorous oversight. This perspective is supported by Ojo and Adegbite (2023), who noted that investor protection is vital in preventing financial mismanagement and ensuring transparency. Moreover, with investors increasingly concerned about the quality of reported earnings, the presence of poor earnings quality suggests possible mismanagement or financial figure manipulation. Therefore, policies that enforce transparency and eliminate opportunities for earnings manipulation should be developed and strictly implemented across the financial services sector, as recommended by Ahmed and Yusuf (2023).

5. CONCLUSION AND RECOMMENDATIONS

The study investigated the effect of risk management committee on the earnings quality of listed insurance firms in Nigeria. The regression analysis revealed that certain attributes of risk management committees significantly influence the quality of financial reporting. Specifically, the size of the risk management committee and its gender diversity were found to have a negative and significant effect on earnings quality. Conversely, the frequency of risk management committee meetings and the independence of the committee members were shown to positively and significantly impact earnings quality. These findings underscore the importance of optimizing the composition and functioning of risk management committees to enhance financial reporting quality within the Nigerian insurance sector. The study concludes that the characteristics of risk management committees play a critical role in determining the earnings quality of listed insurance firms in Nigeria. Larger committee sizes and increased gender diversity, while typically viewed as beneficial, may negatively impact the effectiveness of financial oversight if not managed properly. On the other hand, frequent meetings and the inclusion of independent members in the risk management committee are crucial for improving the quality of financial reporting. Therefore, for insurance firms to achieve higher earnings quality, careful consideration must be given to the composition and operational dynamics of their risk management committees.

Based on the findings of this study, the following recommendations were made:

- Insurance firms should consider maintaining a streamlined risk management committee with an optimal number of members to enhance decision-making and oversight. A smaller, more focused committee may be more effective in ensuring high earnings quality.
- Policy makers should enhance gender diversity management. While gender diversity is important, firms should focus on how it is managed within the committee. Training and development programs could be implemented to leverage diverse perspectives effectively, ensuring that diversity contributes positively to financial reporting.
- Policy makers should ensure that risk management committees hold regular meetings to ensure continuous monitoring and timely responses to risks. This practice will contribute significantly to the accuracy and reliability of financial reports.
- Firms should prioritize the inclusion of independent members in their risk management committees to ensure objective oversight and to minimize management influence over financial reporting processes.

This study contributes to the body of knowledge by providing empirical evidence on how various characteristics of risk management committees affect the earnings quality of listed insurance firms in Nigeria. It highlights the potential drawbacks of larger committee sizes and unmanaged gender diversity, while also emphasizing the positive impact of meeting frequency and committee independence on financial reporting quality. These insights are particularly valuable for corporate governance practices in the Nigerian insurance industry, offering practical recommendations for enhancing the effectiveness of risk management committees in improving financial reporting outcomes. Additionally, the study adds to the global discourse on corporate governance by providing context-specific findings from a developing country perspective, thereby broadening the understanding of the factors influencing earnings quality in emerging markets.

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