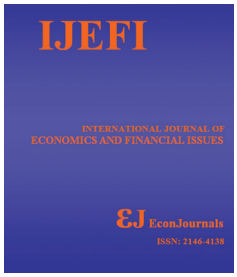

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Risk Management Committee Attributes and Market Performance of Listed Insurance Firms in Nigeria

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ABSTRACT

This study aimed to examine how the attributes of risk management committees influence the market performance of listed insurance firms in Nigeria. This study adopted an *expo-facto* research design and data were collected from annual reports, financial databases of listed Nigerian insurance firms. The study population consisted of 23 insurance firms listed on the Nigerian Exchange Group (NGX) as of December 31st, 2023, with census sampling techniques applied to encompass the entire population. The research covered a 12-year period, spanning from 2012 to 2023, to provide robust analysis. The regression analysis results showed that certain attributes of the risk management committee such as its size, independence, and gender diversity positively and significantly impacted the market performance of listed insurance firms in Nigeria. Conversely, the frequency of risk committee meetings had a negative and significant effect on the market performance of these firms. The study concluded that a well-structured risk management committee with appropriate size, independence, and gender diversity can significantly enhance the market performance of insurance firms.

Keywords: Risk Committee Attributes, Risk Committee Size, Risk Committee Independence, Risk Committee Gender Diversity, Market Performance
JEL Classifications: G32; L1; L25

1. INTRODUCTION

The market performance of insurance firms has gained increasing attention in the field of financial management, particularly in relation to the effectiveness of their internal governance mechanisms (Acha and Akpan, 2019). While previous studies have explored the influence of various factors such as corporate governance, financial stability, and risk management on firm performance, the specific role of risk management committee attributes in shaping the market performance of insurance firms remains under-researched (Karim et al., 2024; Malik et al., 2021). Market performance is essential for every country, as it reflects economic growth, business success, wealth creation, effective use of savings, and consumer confidence (Nuta et al., 2024). Market performance is a critical indicator of a firm's success and its ability to generate value for shareholders. In the context of insurance firms, market performance is not only a reflection of profitability but also of the firm's capacity to manage risk, adapt to regulatory changes, and maintain operational efficiency (Boluwaji et al., 2024; Dagunduro et al., 2024).

The insurance industry in Nigeria, like in many emerging markets, operates in a dynamic environment characterized by economic volatility, regulatory pressures, and evolving customer needs (Agbaje et al., 2024; Dagunduro et al., 2025). The performance of insurance firms in Nigeria has been of significant interest to both academics and practitioners, given the industry's potential to contribute to economic stability and growth (Fali et al., 2020). Several studies have highlighted that the governance structures of firms, particularly the attributes of the Risk Management

Committee (RMC), play a vital role in shaping market performance (Adegbie et al., 2019; Nwanji et al., 2020). The RMC is tasked with overseeing the firm's risk management strategies, ensuring that risks are adequately identified, assessed, and mitigated. Effective risk management is essential for insurance firms, given the inherent risks associated with their operations (Oluwagbade et al., 2023).

The Nigerian insurance industry has undergone significant reforms aimed at enhancing its efficiency and competitiveness (Ogboi and Unuafe, 2013). These reforms have emphasised the importance of corporate governance, particularly in the areas of risk management and regulatory compliance (Dada et al., 2023; Dagunduro et al., 2025). As a result, there has been increasing scrutiny of the role that RMCs play in ensuring that firms are not only compliant with regulations but also positioned to perform well in the market (Agbo et al., 2023). The attributes of the RMC, including its size, independence, gender diversity, and frequency of meetings, are believed to have a substantial impact on how well an insurance firm can manage risks and, consequently, perform in the market (Alduneibat, 2023). Nonetheless, the exact relationship between RMC attributes and market performance within the Nigerian insurance sector has not been thoroughly investigated (Egbunike and Okerekeoti, 2018).

Existing literature suggests that factors like the size, independence, expertise, and diversity of risk management committees can significantly influence a firm's ability to manage risks effectively, which may, in turn, affect its market performance (Karim et al., 2024; Malik et al., 2021). However, limited attention has been given to how these attributes directly impact the market performance of insurance firms, particularly in emerging markets such as Nigeria, where the regulatory environment and market dynamics may differ from those in other regions (Malahim, 2023). Understanding the relationship between the risk management committee attributes and market performance in the insurance sector is crucial for improving firm value and investor confidence.

The existing studies largely focus on non-financial firms and banks in other countries. Studies conducted by Malik et al. (2021) and Karim et al. (2024), highlight the mixed effects of RMC attributes such as size, independence, and expertise on firm performance, with findings indicating both positive and negative impacts across market and book-based measures. Moreover, research by Malahim (2023) and Siddique et al. (2022) underscores the role of risk management and disclosure practices but within banking contexts, not extending to the insurance sector in Nigeria. Additionally, previous studies reveal varying outcomes linked to gender diversity and specific expertise in risk oversight roles yet fail to establish consistent insights into how these factors affect insurance firms. Despite the recognized importance of RMC attributes in corporate governance, there is limited empirical evidence on their specific impact on the market performance of listed insurance firms (Agbaje et al., 2024; Dal Maso et al., 2024). These gaps in literature underscore the need for a detailed examination of how RMC characteristics influence market performance. This study seeks to address these gaps in understanding how risk management committee (RMC) attributes affect market performance specifically for Nigerian insurance firms, an area less explored.

This research is motivated by the need to fill the gaps in literature regarding the influence of risk management committee attributes on the market performance of insurance firms, especially within the Nigerian region. By addressing this gap, the study will contribute to a deeper understanding of the governance mechanisms that drive firm performance in the Nigerian insurance sector. This study seeks to extend these findings by focusing on the insurance sector, which faces unique risks and challenges, and exploring how these challenges are managed at the committee level. By analyzing the attributes of risk management committees and their relationship with market indicators, the research intends to offer insights that can inform corporate governance practices and enhance the performance of insurance firms in the country. Given the growing significance of corporate governance and risk management in enhancing firm value, understanding how these factors affect market performance can provide valuable insights for policymakers, investors, and management teams in the insurance industry. The results will also contribute to the wider discussion on corporate governance and risk management in emerging markets, offering practical recommendations for enhancing firm value through effective risk oversight.

2. LITERATURE REVIEW

This section outlines the clear definitions of concepts, theoretical underpinning, and relevant literature evidence of the variables under this study.

2.1. Market Performance

Market performance is the effectiveness with which a company meets market demands and achieves its strategic objectives (Boluwaji et al., 20224). This includes metrics like sales growth, customer satisfaction, product innovation, and market penetration, reflecting the firm's competitiveness and operational efficiency. Market performance is the degree to which a company's activities contribute to economic growth and stability within a market or industry (Dagunduro et al., 2024). This involves assessing the firm's role in job creation, investment in infrastructure, and its impact on the broader economy. Market performance is the outcome of effective governance practices, particularly in how a firm manages risks, complies with regulations, and maintains transparency (Lawal et al., 2024). This definition focuses on how governance structures, such as the board of directors and risk management committees, influence the firm's ability to perform well in the market. Market performance refers to a firm's ability to generate revenue, profit, and shareholder value relative to its competitors within the industry (Dagunduro et al., 2023). It is often measured through financial metrics such as economic value added (EVA) and market share.

2.2. Risk Management Committee Attributes

Risk management committee (RMC) attributes to the composition and structure of the committee, including the number of members, the diversity of their expertise, the presence of independent directors, and the leadership of the committee (Agbaje et al., 2024). These attributes are critical in determining the effectiveness of the RMC in overseeing and guiding a firm's risk management strategies. RMC attributes encompass the specific expertise and

experience of its members in areas such as risk management, finance, and industry-specific knowledge. The depth and relevance of these competencies are crucial for the RMC to accurately identify, assess, and mitigate risks that could impact the firm's market performance (Oluwagbade et al., 2023). The attributes of the RMC include the level of independence and objectivity of its members, particularly the extent to which the committee is free from conflicts of interest (Frank and Ukpong, 2024). Independent members are vital for unbiased decision-making and ensuring that risk management practices are aligned with the long-term interests of the firm and its stakeholders (Fali et al., 2020). RMC attributes also involve the frequency and effectiveness of committee meetings, including the regularity with which the RMC convenes, and the quality of the discussions and decisions made during these meetings. Effective meetings are essential for timely risk assessment and responsive action plans that enhance the firm's resilience and market performance.

2.2.1. Risk committee size

Risk committee size refers to the number of members serving on the risk management committee of an organization (Odubuasi et al., 2021). It is a key governance attribute that can influence the effectiveness of risk oversight, decision-making processes, and the diversity of perspectives within the committee. From a corporate governance perspective, risk committee size denotes the total count of individuals appointed to the risk management committee, which is responsible for overseeing the organization's risk management policies (Dada et al., 2023). The size of the committee is often determined by the need to balance adequate representation with the efficiency of the committee's operations. In a regulatory context, risk committee size may be defined as the number of members required or recommended by regulatory bodies or industry standards for a company's risk management committee (Lamidi et al., 2022). This size is intended to ensure sufficient expertise and oversight capability to manage the risks associated with the company's operations effectively. Operationally, risk committee size is the specific count of individuals who actively participate in the risk management committee's regular meetings and decision-making processes (Odubuasi et al., 2022). The size is often aligned with the organization's complexity, risk exposure, and the need for diverse skill sets to address various risk factors comprehensively.

2.2.2. Risk committee independence

Risk committee independence refers to the composition of the committee where a significant portion, if not all, of its members are independent directors (Agbo et al., 2023). These independent directors have no material relationships with the company that could influence their judgment, ensuring that decisions made by the committee are unbiased and solely in the best interests of the company and its stakeholders. Risk committee independence is the extent to which the committee operates without undue influence from the company's management (Oluwagbade et al., 2023). This involves having the authority to make decisions and recommendations related to risk management without interference, ensuring that the committee can effectively oversee and challenge the management's risk-related decisions. The independence of a risk committee can be defined as the autonomy of its members to make decisions and judgments about the firm's risk management practices without being influenced by the interests of the company's executives or other board members (Agbaje et al., 2024). This ensures that the committee can objectively assess and manage the risks the company faces. Risk committee independence involves the ability of the committee to report directly to the board of directors without any filtering or modification by the company's executive management (Frank and Ukpong, 2024). This direct line of reporting enhances transparency and ensures that the board receives an unaltered assessment of the company's risk exposure and management practices.

2.2.3. Risk committee gender diversity

Risk committee gender diversity refers to the proportional representation of different genders within a firm's risk management committee, ensuring that no single gender dominates the decision-making process (Alduneibat, 2023). This diversity aims to bring a balance of perspectives, experiences, and insights to the committee, which can enhance the effectiveness of risk management practices. Gender diversity in a risk committee is the inclusivity of individuals from various gender backgrounds in leadership roles within the committee (Fali et al., 2023). It emphasizes the importance of having a diverse mix of men, women, and non-binary individuals to contribute to the governance of risk management, promoting fairness and equality in corporate oversight. Risk committee gender diversity is the variety in the gender composition of the committee members (Lamidi et al., 2022). This definition highlights the importance of having a mix of genders to create a more dynamic and innovative approach to risk management, as different genders may bring different risk perceptions and strategies. Gender diversity in a risk committee refers to the equitable participation of all genders in the committee's activities and decisions (Odubuasi et al., 2021). It ensures that all genders have an equal voice and opportunity to influence the risk management process, leading to more comprehensive and balanced risk assessment and mitigation strategies.

2.2.4. Risk committee meetings

Risk committee meetings are formal gatherings of a specialized subcommittee within a company's board of directors, dedicated to overseeing the organization's risk management practices (Odubuasi et al., 2022). These meetings focus on identifying, assessing, and mitigating potential risks that could affect the company's operations, financial health, and strategic objectives. Risk committee meetings are structured sessions held by a company's risk management committee to ensure adherence to regulatory requirements (Oluwagbade et al., 2023). During these meetings, the committee reviews the organization's risk exposure, compliance with legal standards, and the effectiveness of its internal controls to safeguard against financial, operational, and reputational risks. Risk committee meetings are periodic consultations where committee members discuss and strategize on risk-related issues that could impact the company's long-term goals (Agbaje et al., 2024). These meetings involve evaluating the effectiveness of current risk management strategies, forecasting potential future risks, and making decisions to align risk management with the company's overall strategy. Risk committee meetings are operational sessions where the Risk Management Committee reviews ongoing risk assessments, monitors the

implementation of risk mitigation plans, and ensures that risk management activities are integrated into daily business operations (Frank and Ukpong, 2024). These meetings help ensure that the company's risk management processes are effective and responsive to emerging threats.

2.3. Theoretical Underpinning

Agency theory, initially introduced by Ross and Mitnick in 1973 and further developed by Jensen and Meckling in 1976, investigates the dynamics between principals (such as shareholders) and agents (like managers) within organizations. The theory highlights that differing objectives and information asymmetry between these parties can result in agency costs, where managers might not always act in the shareholders' best interests. To mitigate these conflicts, agency theory underscores the need for robust governance mechanisms. In this regard, Risk Management Committees (RMCs) are crucial as they oversee risk management on behalf of shareholders, ensuring that managers' actions align with shareholder interests and improving earnings quality (Oluwagbade et al., 2023). RMCs, through their attributes such as independence, expertise, and meeting frequency, are essential in managing agency issues. An effective RMC can monitor management's risk-related decisions, minimizing the risk of management making choices that benefit themselves over shareholders (Alduneitbat, 2023). This governance helps enhance market performance by ensuring proper risk management, safeguarding the firm's value, and boosting investor confidence. Consequently, strong RMC attributes address agency concerns by fostering transparency and accountability, which leads to better risk management and improved market performance (Fali et al., 2020).

Agency Theory is applicable in various organizational settings, shedding light on issues like executive compensation, managerial decision-making, and corporate governance. Research by Agbaje et al. (2024) and Oluwagbade et al. (2023) indicates that risk management committees enhance financial performance by reducing information asymmetry and aligning managers' interests with those of shareholders. Similarly, Abubakar et al. (2023) found a positive link between risk management committees and earnings management, supporting the theory's relevance. However, Agency Theory has notable limitations. Critics argue that it oversimplifies human behavior by assuming self-interest as the sole driver, while ignoring social, ethical, and altruistic factors (Akinlo and Apanisile, 2014). It also presumes perfect information and rational decision-making, which are often unrealistic due to information asymmetry and biases (Egbunike and Okerekeoti, 2018). Additionally, the theory tends to focus on short-term financial outcomes at the expense of long-term sustainability and broader societal impacts, which could encourage opportunistic behavior that harms long-term organizational health (Ogboi and Nnuafe, 2013). While risk management committees strive to address agency problems through enhanced oversight and transparency (Ujunwa and Modebe, 2012), their effectiveness may be limited if they rely solely on Agency Theory, potentially overlooking managers' complex motivations and neglecting ethical and long-term considerations, which could impact market performance (Akinlo and Apanisile, 2014).

2.4. Empirical Review

This research reviewed relevant literature on risk management committees and market performance in alignment with the study's specific objectives and hypotheses. For example, Malik et al. (2021) investigated how the characteristics of risk management committees (RMCs) impact the market performance of non-financial listed firms in Malaysia from 2015 to 2017. The regression analysis revealed that RMC size, independence, expertise, and the presence of female members have a notably negative effect on market performance. However, when expertise is measured differently, the findings showed that RMC members with specific risk management expertise are positively associated with firm performance, suggesting these members contribute to more effective risk oversight and greater firm value than those with only general financial or accounting expertise. The consistently negative effect observed for female RMC members, regardless of measurement approach, is attributed to tokenism within the committee.

Karim et al. (2024) examined how risk management committee attributes influence firm performance, emphasizing the moderating role of board size in Malaysian listed companies. Performance was assessed using both accounting-based and market-based measures. To address issues of endogeneity, simultaneity, and unobserved heterogeneity, a dynamic model with the generalized method of moments (GMM) was applied. Results indicate that risk management committee attributes, such as size, independence, and meeting frequency, have a negative impact on book-based performance measures but have a positive effect on market-based measures. Additionally, board size enhances the relationship between risk management committee attributes and performance. The study aligns with agency theory and resource dependence theory predictions.

Malahim (2023) explored the impact of the risk management committee (RMC) and risk disclosure on bank value, utilizing agency theory and signaling theory, and measuring bank value through the market-to-book ratio (MTBR). The study examined how RMC characteristics such as size, independence, qualifications, meetings, executive and dual memberships, and expertise alongside voluntary risk disclosure, positively affect the value of Jordanian banks over the 2014-2021 period. Descriptive statistics of risk disclosure were calculated from data collected from 18 banks, resulting in an unbalanced distribution across 120 observations. Using multiple regression analysis, findings showed that RMC qualifications in accounting or finance negatively influence bank value. Other factors, including RMC expertise, dual membership with the compensation committee, independence, and executive membership, were significantly associated with bank value in Jordanian banks.

Siddique et al. (2022) investigated the impact of credit risk management and specific bank factors on the financial performance (FP) of South Asian commercial banks. The study utilized non-performing loans (NPLs) and the capital adequacy ratio (CAR) as credit risk measures, while cost-efficiency ratio (CER), average lending rate (ALR), and liquidity ratio (LR) were considered as bank-specific factors. Financial performance was measured

by return on equity (ROE) and return on assets (ROA). Data were collected from 19 commercial banks, 10 from Pakistan and 9 from India over a 10-year period (2009-2018). To address potential endogeneity, the study employed the generalized method of moments (GMM) for coefficient estimation. Results showed that NPLs, CER, and LR were significantly negatively associated with FP (ROA and ROE), while CAR and ALR were significantly positively related to the financial performance of South Asian commercial banks.

Dagunduro et al. (2025) assessed how risk management committee affect earnings quality of listed insurance firms in Nigeria. The study adopted *ex-post facto* research design. The study's population consisted of 23 insurance firms listed on the Nigerian Exchange Group (NGX) as of December 31st, 2023 and the entire population was selected as sample size using census sampling technique, covering a 12-year period from 2012 to 2023. Data were collected from the annual report of the investigated firms and were analyzed using both descriptive and inferential statistics. It was discovered that risk committee size and risk committee gender diversity found to have a negative and significant effect on earnings quality. Conversely, risk committee meetings and risk committee independence positively and significantly affect earnings quality.

Jia and Bradbury (2020) assessed the relationship between 'best practice' risk management committees and firm performance in an environment where the existence and composition of such committees were purely voluntary. Based on a sample of 368 Australian listed firms from 2007 to 2014, the study found that firms that voluntarily adopted the 'best practice' risk management committee performed better than others. Additionally, the results showed that among the four 'best practice' risk management committee characteristics; independence of the chairman, independence of members, committee size, and human capital risk management committee human capital played an important role in enhancing firm performance.

Iswajuni et al. (2018) examined the impact of enterprise risk management (ERM) on firm value, with firm size, return on assets (ROA), and managerial ownership as control variables, using Tobin's Q as a proxy for firm value. The study focused on manufacturing companies listed on the Indonesian Stock Exchange (IDX) from 2010 to 2013. Employing multiple linear regression via the ordinary least squares (OLS) method and testing hypotheses using a t-test at a 5% significance level, the results found that ERM, ROA, and company size significantly positively affect firm value, whereas managerial ownership has a significant negative effect on firm value.

Frank and Ukpong (2024) conducted a study to investigate the impact of risk management committees on the financial performance of listed deposit money banks in Nigeria. The study used an ex-post facto research design, focusing on 14 commercial banks listed on the Nigerian Exchange Group as of 2023. Through purposive sampling and secondary data from 2013 to 2022, the study analyzed data using descriptive statistics and regression analysis. The findings indicated that the size and independence of the risk management committee had negative and insignificant effects on financial performance, while committee diligence had a positive and significant impact.

Oluwagbade et al. (2023) investigated the impact of RMC structures on the financial performance of thirty-four listed financial institutions in Nigeria. Utilizing ex-post facto and panel data designs over a 10-year period (2012-2021), the study found that RMCs significantly influence financial performance, highlighting the importance of effective risk management in shaping key financial outcomes. Agbo et al. (2023) examined the effects of audit and RMCs on the financial performance of healthcare firms in Nigeria. The findings revealed that, while the audit committee's impact on return on equity (ROE) was positive but statistically insignificant, the RMC had a significant influence on ROE, underscoring the critical role of risk management in the healthcare sector. Alduneibat (2023) provided evidence from an emerging market context, finding that RMCs had no significant effect on profitability. However, the study identified a significant negative impact of Enterprise Risk Management (ERM) and Corporate Social Responsibility (CSR) on firm value, alongside a negative effect of ROE on firm value. This suggests that while RMCs may not directly impact profitability, other governance and risk factors play a critical role in influencing firm value.

Awotomilusi et al. (2023) focused on operational risk disclosure and its effect on the financial performance of listed financial institutions in Nigeria. The study, which also spanned from 2012 to 2021, found that operational risk disclosure particularly in areas such as technology, reputation, and strategic risks positively impacts financial performance, indicating that transparency in risk reporting is beneficial to financial outcomes. Odubuasi et al. (2022) investigated the effect of RMC effectiveness (RCE) on the financial performance of banks in Nigeria, South Africa, and Ghana from 2009 to 2018. The study emphasized the growing importance of RMCs in mitigating risks and preventing corporate failures. Using a fixed effect model, the research found that RMC diligence and composition had a highly significant positive impact on bank performance across the three countries, indicating that proactive and well-structured RMCs are essential for enhancing return on equity (ROE). Lamidi et al. (2022) focused on the attributes of RMCs within Nigerian deposit money banks (DMBs). The study found that the size and independence of RMCs negatively impacted financial performance, while the size showed no significant effects. This suggests that overly large or independent RMCs may not necessarily contribute to better financial outcomes and may even hinder performance.

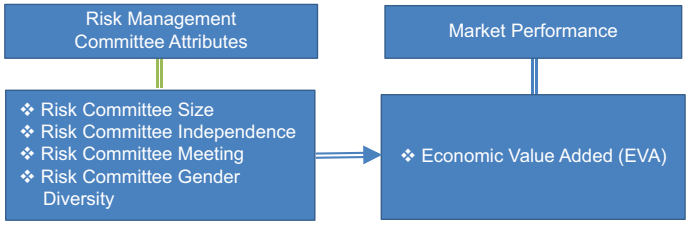
Similarly, Akpan and Akai (2022) also examined the influence of RMC attributes on the financial performance of Nigerian DMBs, revealing that RMC diligence positively affected performance. The study found that the size and independence of the RMCs had a negative and inconsequential impact. This underscores the importance of committee diligence over mere size or independence in driving financial performance. Odubuasi et al. (2021) expanded their analysis to include both RMCs and Enterprise Risk Management (ERM) in assessing the performance of Nigerian banks. The study found that RMC accounting expertise positively influenced performance, while gender diversity within

the committee had a negative impact. Additionally, the combined effect of ERM and RMC attributes was statistically significant and positive, highlighting the importance of both comprehensive risk management frameworks and specialized expertise. Lastly, Fali et al. (2020) explored the role of RMC attributes in the performance of listed insurance companies in Nigeria. Their findings revealed that RMC expertise negatively impacted financial performance, while the size and independence of the committee had no significant influence. Moreover, the study suggested that RMCs that excessively restrain management from taking risks might harm financial performance, particularly in the insurance sector.

This study seeks to address gaps in understanding how risk management committee (RMC) attributes affect market performance specifically for Nigerian insurance firms, an area less explored. The existing studies largely focus on non-financial firms and banks in other countries. Studies conducted by Malik et al. (2021) and Karim et al. (2024), highlight the mixed effects of RMC attributes such as size, independence, and expertise on firm performance, with findings indicating both positive and negative impacts across market and book-based measures. Moreover, research by Malahim (2023) and Siddique et al. (2022) underscores the role of risk management and disclosure practices but within banking contexts, not extending to the insurance sector in Nigeria. Additionally, previous studies reveal varying outcomes linked to gender diversity and specific expertise in risk oversight roles yet fail to establish consistent insights into how these factors affect insurance firms.

Furthermore, existing studies such as those by Frank and Ukpong (2024) and Oluwagbade et al. (2023) have explored the impact of risk management committees (RMCs) on financial performance within different sectors, primarily focused on deposit money banks and other financial institutions, leaving a gap in the context of insurance firms. Additionally, while many studies have examined the financial performance implications of RMC attributes such as size, independence, and diligence, the specific effects of these attributes on market performance remain underexplored. Additionally, research like that of Agbo et al. (2023) and Fali et al. (2020) has shown mixed results regarding the influence of RMCs, with some studies indicating negative or insignificant effects on financial performance. These inconsistencies highlight the need for a more nuanced understanding of how RMC attributes specifically affect market performance in the insurance sector. This study, therefore, seeks to address these gaps by providing a focused examination of RMC attributes in the context of listed insurance firms in Nigeria, contributing to the broader discourse on risk management and corporate governance in emerging markets.

Figure 1: Conceptual framework



Source: Authors' concepts (2024)

2.5. Conceptual Framework

Figure 1 illustrates the relationship between the independent variable, Risk Management Committee Attributes (RMCAs), and the dependent variable, Market Performance. RMCAs refer to various characteristics of the risk management committee, such as its size, independence, meeting frequency, and the diversity of its members. These attributes are believed to influence the committee's ability to effectively monitor and manage risks within the firm, which, in turn, can impact the firm's market performance. Market performance is typically measured by economic value added (EVA), reflecting how well the firm performs in the eyes of investors and the broader market. The figure visually represents how changes in RMCAs may lead to improvements or declines in market performance, suggesting a direct or indirect link between the two. This relationship emphasizes the importance of effective risk management in enhancing investor confidence and overall firm value.

3. METHODOLOGY

This study adopted *ex-post facto* research design, which is appropriate for investigating relationships between variables where data has already been collected, and no manipulation of variables occurs. The design allows for an analysis of existing data from annual reports and financial databases of listed Nigerian insurance firms, ensuring that the research reflects real-world conditions and decisions made prior to the study. The study population included all 23 insurance firms listed on the Nigerian Exchange Group (NGX) as of December 31, 2023, with census sampling applied to include every firm in the analysis. This approach reduces potential bias and ensures that the findings are representative of the entire population of listed insurance firms in Nigeria. The research covers a 12-year period, from 2012 to 2023, capturing significant market transitions, including the rebranding of the Nigerian Stock Exchange to the NGX, which enhances the robustness of the analysis by providing a broad temporal context for examining trends and changes in market performance and risk management practices within the Nigerian insurance industry.

3.1. Model Specification

This study adopted the econometric model established by Oluwagbade et al. (2023) to explore the relationship between the independent variable (Risk Management Committee Attributes) and the dependent variable (Market Performance). The model was chosen for its proven applicability in analyzing similar variables within the financial sector, offering a structured framework to assess how risk management committee characteristics influence market performance. By utilizing this model, the study ensures consistency with recent research methodologies and provides a robust analytical approach. The specific formulation of the model allows for the inclusion of various relevant factors and ensures that the relationship between risk management attributes and market performance is examined with precision. The econometric model is specified as follows, incorporating the key variables and their expected interactions as defined by Oluwagbade et al. (2023).

$$MP = \alpha 0 + \beta_1 RCSZ_{it} + \beta_2 RCID_{it} + \beta_3 RCMT_{it} + \beta_4 RCGD_{it} + \varepsilon_{it}$$

Where:
MP = Market Performance
RCSZ = Risk Committee Size
RCID = Risk Committee independence
RCMT = Risk Committee Meeting
RCGD = Risk Committee Gender Diversity
$\alpha 0$ = Constant
Σ = Stochastic Error Term
β_0 = Intercept
$\beta_1, \beta_2, \beta_3, \beta_4$ = The Coefficients of the independent variable
The *a-priori* expectation = $\beta_1, \beta_2, \beta_3, \beta_4 > 0$

3.2. Measurement and Description of Variables

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

3.3. Data Analysis Techniques

To analyse the data, this study used inferential statistics including panel regression analysis and correlational analysis as well as descriptive statistics like mean, median, variance, and standard deviation using Stata software.

4. DATA ANALYSIS AND DISCUSSION OF FINDINGS

This section explains data analysis, study conclusions, and the characteristics of the variables employed.

4.1. Descriptive Statistics

Table 2 offers a description of the variables that were employed in the analysis. The average size of the risk committee size (RCSZ) is 3.95. This implies that, on average, the risk management committees of the firms sampled consist of approximately 4 members. However, the standard deviation of 2.22 indicates low variability in the size of these risk management committees across firms. The minimum value of 0 implies that some firms in the sample do not have a risk management committee, while the maximum value of 10 denotes that the largest committee has 10 members. In terms of shape, the skewness value of −0.35 suggests that the RCSZ distribution is negatively skewed. A kurtosis value of about 2.96 is <3, indicating that the distribution is approximately mesokurtic.

Table 1: Operationalization and description of research variables

S. No.	Variable	Acronym	Role	Measurement	Source
1	Market Performance	MP	Dependent		
1a	Economic Value Added	EVA	Dependent	Determined by deducting the cost of capital from the net operating profit after tax (NOPAT).	Assidi (2023).
2	Risk Management Committee Attributes	RMC	Independent		
2a	Risk Committee Size	RCSZ	Independent	Determined by counting the number of members on an organization's risk management committee.	Agbaje et al. (2024); Oluwagbade et al. (2023).
2b	Risk Committee Independence	RCID	Independent	Determined by dividing the number of non-executive directors on the risk committee by the total number of members on the committee, expressed as a percentage.	Agbaje et al. (2024); Oluwagbade et al. (2023).
2c	Risk Committee Meetings	RCMT	Independent	Determined by the number of meetings the risk committee members hold in a year.	Agbaje et al. (2024); Oluwagbade et al. (2023).
2d	Risk Committee Gender Diversity	RCGD	Independent	Determined by dividing the number of female members on the risk committee by the total number of committee members, expressed as a percentage.	Agbaje et al. (2024); Oluwagbade et al. (2023).

Source: Researchers' compilation (2024)

Table 2: Descriptive statistics

Variable	Obs	Mean	Standard Deviation	Min.	Max.	Skewness	Kurtosis
RCSZ	276	3.95	2.22	0	10	−0.35	2.96
RCID	276	0.33	0.35	0	1	0.55	1.85
RCMT	276	3.84	1.93	0	11	0.00	4.19
RCGD	276	0.13	0.17	0	0.75	0.95	2.85
EVA	276	2.63	2.47	−3.27	8.99	0.58	2.46

Source: Researchers' Computation (2024)

Also, the mean size of risk committee independence (RCID) is 0.33 (or 32.63%). This suggests that, on average, about 32.63% of the members in the risk management committees are independent non-executive directors of the firms sampled. This is, however, subjected to a wide variation in the proportion of independent members across the firms. The lowest number of independent non-executive directors is 0 while the highest number is 1. This indicates that some firms' risk management committees have no independent non-executive directors as members, while the maximum some firms' members of risk management committees are all independent. In relation to shape, the skewness value of 0.55 suggests that the RCID distribution is positively skewed. A kurtosis value of about 1.85 is <3, indicating that the distribution is approximately platykurtic.

Again, the average number of risk committee meetings (RCMT) held is 3.84. On average, the risk management committee holds approximately 4 meetings per year. The standard deviation is 1.93 which indicates a very low variation from average meetings held across firms. The lowest value is 0 while the highest value is 11. This suggests that some firms' risk management committees do not meet at all each year, while some firms' risk management committees meet up to 11 times annually. In relation to shape, the skewness value of −0.00 suggests that the RCMT distribution is almost perfectly symmetrical. A kurtosis value of about 4.19 is >3, indicating that the distribution is approximately leptokurtic.

Furthermore, the average value of risk committee gender diversity (RCGD) is 0.13 (or 13.10%). This implies that about 13.10% of the risk management committee members are female on average. The standard deviation is 0.17. This indicates that the size of female members varies significantly from the mean across firms. While the lowest value is 0, the highest value is 0.75. This suggests that some risk management committees have no female members, while some firms' risk management committee members are up to 75% female. In relation to shape, the skewness value of 0.95 suggests that the RCGD distribution is moderately positively skewed. A kurtosis value of about 2.85 is <3, indicating that the distribution is almost mesokurtic.

Moreover, the average Economic Value Added (EVA) value is 2.63. On average, firms in the sample generate an economic value of 2.63 after accounting for the cost of capital. But this varies. However, the variation is low compared to the mean as the standard deviation is 2.47. The lowest value and the highest value are −3.27 and 8.99 respectively. This suggests that some firms are not creating value, while others are making substantial economic value. In terms of shape. The skewness value of 2.46 suggests that the EVA distribution is positively skewed. A kurtosis value of about 0.577 is less than three, indicating that the distribution is platykurtic.

4.2. Test of Variables

All variables were assessed to verify the regression analysis's assumptions to guarantee strong estimates. Since pre- and post-estimation statistical testing is essential to precise estimation. These tests were performed and analyzed for model efficiency.

Table 3: Unit root test

Variable	Breitung unit-root test		Harris-Tzavalis unit-root test	
	Z-statistics	P-value	Z-statistics	P-value
RCSZ	−2.78	0.00	−7.23	0.00
RCID	−2.51	0.01	−6.72	0.00
RCMT	−4.57	0.00	−9.07	0.00
RCGD	−3.49	0.00	−6.65	0.00
EVA	−4.10	0.00	−8.06	0.00

Source: Researchers' Computation (2024)

4.2.1. Pre-estimation test

To make sure the assumptions of the chosen model were considered, and the selected data was suitable for analysis, the following tests were run. These tests also aid in avoiding misspecification errors and guarantee the validity of the model's results.

4.2.1.1. Unit root test

The Breitung unit root and Harris-Tzavalis test statistics were carried out on all the variables used in the analysis. This is to determine if all the variables' statistical properties (mean and standard deviation) across the panels (firms) had a unit root (non-stationary) or were stationary. Table 3 displays the results of the panel unit root test. The null hypothesis states that panels include unit roots, implying that the data is non-stationary, whereas the alternative hypothesis states that panels are stationary. If the P-value is significantly lower than 0.05, the null hypothesis is rejected; otherwise, it is accepted. Based on the tests performed, the P-values for RCSZ, RCID, RCMT, RCGD, and EVA are significantly lower than the threshold of 0.05. This implies that all variables are stable.

4.2.1.2. Correlation test

Table 4 presents the pairwise relationships between the independent variables RCSZ, RCID, RCMT, RCGD, and EVA. A correlation analysis was performed to assess the degree and direction of the linear relationship among these independent variables. Based on the collected data, this study found a relatively low positive association (0.3197) between RCSZ and RCID. The correlation between RCMT and RCSZ is somewhat positive (0.3883). This demonstrates that as one variable grows, the other tends to rise slightly. The correlation between RCGD and RCSZ was low (0.2131). Overall, the independent variables showed a usually low correlation. This suggested a lack of serial correlation among the independent variables.

4.2.1.3. Multicollinearity

The study used a variance inflation factor (VIF) to determine the level of multicollinearity in the panel variables. It assesses whether one independent variable is highly correlated with another in a regression model. All the VIF values are well below the threshold of 10, with the highest being 1.32 for RCSZ. This implies that there is no significant multicollinearity among RCSZ, RCMT, RCID, and RCGD in the regression model. The mean VIF of 1.18 also supports the conclusion that multicollinearity is not a concern in this model.

4.2.2. Post estimation test

As reported in Tables 5 and 6, it was essential to determine which model among pooled OLS, fixed effect, or random effect best captures the impact of RCSZ, RCMT, RCID, and RCGD on EVA. To this end, a redundant fixed effect test was conducted to compare the effectiveness of pooled OLS versus the fixed effect model as displayed in Table 6. The null hypothesis stated that there were no cross-sectional fixed effects, while the alternative hypothesis suggested otherwise. If the P-value was below 0.05, the null hypothesis would be rejected. The test yielded a statistic of 11.19 with a P-value of 0.0000, indicating that pooled OLS is more efficient. On the other hand, the Hausman test was applied to differentiate between the fixed effects and random effects models. A significant test statistic would suggest that the fixed effects model is more appropriate; otherwise, the random effects model would be considered more effective. In this case, the test statistic was 1.55, with a P-value of 0.8183, indicating that the random effect model was more efficient. Additionally, the Breusch and Pagan Lagrange Multiplier test was used to compare the accuracy of the random effect model against the pooled OLS. The test revealed a significant P-value of 0.0000 and test statistics of 294.03, suggesting that the random effect model is more efficient than pooled OLS.

Table 4: Correlation analysis

	RCSZ	RCID	RCMT	RCGD	EVA
RCSZ	1.0000				
RCID	0.3197*	1.0000			
	0.0000				
RCMT	0.3883*	0.0840	1.0000		
	0.0000	0.1640			
RCGD	0.2131*	0.1781*	0.1707*	1.0000	
	0.0004	0.0030	0.0045		
EVA	0.1153	0.0648	0.0012	−0.1253	1.0000
	0.0557	0.2831	0.9848	0.0375	

Source: Researchers' Computation (2024)

Table 5: Variable inflation factor

Variable	VIF	1/VIF
RCSZ	1.32	0.755707
RCMT	1.19	0.838241
RCID	1.13	0.882139
RCGD	1.07	0.930945
Mean VIF	1.18	

Source: Researchers' Computation (2024)

Table 6: Post estimation test

Variable	Chi-statistic	P-value
Ramsey RESET test	2.41	0.0669
Breusch-Pagan/Cook-Weisberg test for heteroskedasticity	0.57	0.4513
Durbin-Watson	0.7075	
Shapiro-Wilk test	5.468	0.0000
F-Test	11.19	0.0000
Breusch and Pagan Lagrange Multiplier test	294.03	0.0000
Hausman test	1.55	0.8183

Source: Researchers' Computation (2024)

In the Table 5, The Ramsey RESET was applied to assess the model's functional form and detect any omission or misspecification issues. The null hypothesis states that the model is correctly specified, while the alternative hypothesis suggests that the model is mis-specified. If the P-value is below 0.05, the null hypothesis is rejected; otherwise, the alternative hypothesis is rejected. A P-value of 0.0669 indicates that the model is correctly specified. The Shapiro-Wilk test was used to evaluate the normality of the data distribution. If the P-value exceeds 0.05, the data is considered normally distributed; otherwise, normality is not assumed. In this case, the data is not normally distributed, with a P-value of 0.0000. To test for homogeneity in the error terms, the Breusch-Pagan test for heteroskedasticity was conducted. This test determines whether the independent variables in a model are significant. If the test statistics are not significant, the residuals are homoscedastic; otherwise, they are heteroskedastic. In this case, the tests yielded Chi-square values of 0.57 and P-values of 0.4513, indicating homoskedasticity in the data. The analysis also examined the presence of autocorrelation in the data distribution using the Durbin-Watson d-statistic test. A d-statistic of 0.7075 suggested serial correlation in the model. Due to the presence of autocorrelation and non-normality, a variance-weighted least-squares regression analysis was performed, and the random effects model was discarded.

4.3. Risk Management Committee Attributes and Market Performance

Table 8 displays the results of a variance-weighted least-squares (VWLS) regression analysis conducted between EVA and RCSZ, RCID, RCMT, and RCGD. The goodness-of-fit statistic is 2400.65 and the P-value is 0.000. This statistic determines if the entire model fits the data. This very high chi-square indicates

Table 7: Regression analysis

Variable	OLS model		Fixed effect model		Random effect model	
	Coef.	P-value	Coef.	P-value	Coef.	P-value
RCSZ	0.1630	0.034	0.0265	0.729	0.0453	0.531
RCID	0.3504	0.438	0.3701	0.538	0.3379	0.536
RCMT	−0.0416	0.617	−0.0747	0.337	−0.0653	0.385
RCGD	−2.3003	0.010	−1.3055	0.175	−1.4518	0.112
_cons	2.3345	0.000	2.8636	0.000	2.7824	0.000
Number of observations	276					
F (4, 55)	2.82		0.82		4.02	
P-value	0.0254		0.5148		0.4028	
R-squared	0.04					
Adj R-squared	0.0259					

Source: Researchers' Computation (2024)

Table 8: Variance-weighted least-squares regression

EVA	Coef.	Standard Error	z	P-value	[95% Conf. Interval]	
RCSZ	0.7337	0.0098	74.81	0.000	0.7145	0.7529
RCID	1.9630	0.0752	26.11	0.000	1.8157	2.1103
RCMT	0.0451	0.0231	1.95	0.051	−0.0001	0.0902
RCGD	4.4611	0.2096	21.28	0.000	4.0503	4.8720
_cons	−2.0567	0.1108	−18.56	0.000	−2.2739	−1.8396
Number of obs	177					
Model Chi-square (4)	6953.61					
Prob > Chi-square	0.000					
Goodness-of-fit Chi-square (43)	2400.65					
Prob > Chi-square	0.000					

Source: Researchers' Computation (2024)

an excellent fit. Furthermore, the model Chi-square is 6953.61, and the P-value is 0.0000. This test evaluates the model's overall relevance. While the P-value of 0.0000 suggests that the model is extremely significant, the independent variables all predict EVA. The intercept is −2.0567 and has a P-value of 0.0000. While this is the predicted value of EVA when all independent variables are zero, the negative value implies that EVA would be statistically significant and negative if independent variables did not exist.

Again, the coefficient of RCSZ is 0.7337, with a P-value of 0.000. It implies that each extra member of the risk management committee will increase EVA by approximately 73.37% (0.7337 units), assuming all other variables remain constant. While this is highly significant, it suggests a substantial positive relationship between the size of the risk management committee and the EVA. Also, the RCID coefficient is 1.9630, with a P-value of 0.000. It indicates that a 1% increase in the proportion of non-executive directors on the risk management committee corresponds to an approximately 196.3% (1.963 units) rise in EVA, assuming all other factors remain constant. This coefficient is also highly significant, highlighting a strong positive relationship between the independence of the risk management committee and EVA.

Additionally, the coefficient for RCMT is 0.0451 with a P-value of 0.051. This suggests that each additional meeting held by the risk management committee is associated with an approximate 4.51% (0.0451 units) increase in EVA. Although this result is only marginally significant at the 5% level (P = 0.051), it indicates that the frequency of meetings by the risk management committee has a modest positive effect on EVA. Furthermore, the coefficient for RCGD is 4.4611 with a P-value of 0.000. This indicates that a 1% increase in the proportion of female members on the risk management committee corresponds to a substantial increase of approximately 446.11% (4.4611 units) in EVA. This coefficient is highly significant, underscoring the strong positive impact of gender diversity within the risk management committee on EVA.

Overall, Risk Committee Independence (RCID) and Size (RCSZ) strongly and significantly positively impacted EVA. The Risk Committee Gender Diversity (RCGD) significantly improves EVA. Risk Committee Meetings (RCMT) have a marginally significant but beneficial effect on EVA. These findings imply that higher Economic Value Added (EVA) in firms is correlated with larger, more autonomous, and more gender-diverse risk committees. Despite being beneficial, the quantity of meetings has a lower impact on EVA.

4.4. Discussion of Findings

The regression analysis results showed that the size of the risk management committee positively impacts the market performance of listed insurance firms in Nigeria. This suggests that a larger risk management committee is associated with better market performance, likely due to increased expertise and oversight capabilities. These results align with the findings of Malahim (2023) which found that risk management committee characteristics such as size, independence, qualifications, meetings, executive and dual memberships, and expertise alongside voluntary risk disclosure, positively affect the value of Jordanian banks.

However, these results contradict the findings of Karim et al. (2024) which found that risk committee attributes, such as size, independence, and meeting frequency, have a negative impact on book-based performance Malaysian listed companies. Similarly, the findings negate the findings of Frank and Ukpong (2024) which showed that the size and independence of the risk management committee had negative and insignificant effects on financial performance, while committee diligence had a positive and significant impact. The results also negate the findings of Lamidi et al. (2022) which focused on the attributes of RMCs within Nigerian deposit money banks (DMBs). The study found that the size and independence of RMCs negatively impacted financial performance, while the size showed no significant effects. This suggests that overly large or independent RMCs may not necessarily contribute to better financial outcomes and may even hinder performance.

Independence within the risk management committee also positively affects market performance. This implies that having independent members on the committee enhances its ability to oversee and manage risks effectively, leading to improved market outcomes for the firms. These results corroborate with the findings of Malahim (2023) which found that risk management committee characteristics such as size, independence, qualifications, meetings, executive and dual memberships, and expertise alongside voluntary risk disclosure, positively affect the value of Jordanian banks. However, these results negate the findings of Karim et al. (2024) which committee attributes, such as size, independence, and meeting frequency, have a negative impact

on book-based performance Malaysian listed companies. The results also negate the findings of Lamidi et al. (2022) which focused on the attributes of RMCs within Nigerian deposit money banks (DMBs). The study found that the size and independence of RMCs negatively impacted financial performance, while the size showed no significant effects. This suggests that overly large or independent RMCs may not necessarily contribute to better financial outcomes and may even hinder performance.

Gender diversity within the risk management committee is positively linked to market performance but insignificant. This suggests that diverse perspectives and experiences within the committee contribute to better decision-making and, consequently, better market performance. These results align with the findings of Malahim (2023) which found that risk management committee characteristics such as size, independence, qualifications, meetings, executive and dual memberships, and expertise alongside voluntary risk disclosure, positively affect the value of Jordanian banks. However, these results contradict the findings of Karim et al. (2024) which found that risk committee attributes, such as size, independence, and meeting frequency, have a negative impact on book-based performance Malaysian listed companies. Similarly, the results are also contradicting the findings of Odubuasi et al. (2021) which found that RMC accounting expertise positively influenced performance, while gender diversity within the committee had a negative impact on performance of Nigerian banks.

The frequency of risk committee meetings negatively impacts market performance. This might indicate that frequent meetings, while intended to enhance oversight, could lead to excessive micromanagement or inefficiencies that adversely affect the firm's market performance. These results align with the findings of Malik et al. (2021) which revealed that RMC size, independence, expertise, and the presence of female members have a notably negative effect on market performance. However, the results negate the findings of Frank and Ukpong (2024) which showed that the size and independence of the risk management committee had negative and insignificant effects on financial performance, while committee diligence had a positive and significant impact. Finally, while the size, independence, and gender diversity of the risk management committee positively influence the market performance of insurance firms, excessive meetings may detract from performance. This analysis highlights the importance of balancing effective risk management practices with the potential drawbacks of over-involvement.

5. CONCLUSION AND RECOMMENDATIONS

The regression analysis revealed that the attributes of the risk management committee specifically its size, independence, and gender diversity have a positive impact on the market performance of listed insurance firms in Nigeria. A larger committee, independent members, and greater gender diversity are associated with better market outcomes, suggesting enhanced expertise, oversight, and diverse perspectives contribute positively to performance. However, the frequency of risk committee meetings was found to negatively affect market performance, possibly due to potential micromanagement or inefficiencies. The study concludes that a well-structured risk management committee with appropriate size, independence, and gender diversity can significantly enhance the market performance of insurance firms. The findings underscore the value of these attributes in improving oversight and decision-making. Conversely, excessive meeting frequency may be counterproductive, indicating that optimal balance is crucial for maximizing the benefits of risk management practices.

The following suggestions were put forward:

i. Insurance firms should focus on maintaining an appropriately sized risk management committee, ensuring it includes independent members and promotes gender diversity to leverage diverse perspectives and expertise
ii. Companies should evaluate and optimize the frequency of risk committee meetings to avoid potential inefficiencies or micromanagement. A balanced approach should be adopted to ensure effective oversight without adverse impacts on market performance
iii. Regularly review and adjust the composition and functioning of the risk management committee to align with evolving market conditions and organizational needs
iv. Firms should find a balance in the frequency of risk committee meetings to avoid the potential negative effects of over-involvement and micromanagement.

This study contributes to accounting practices by providing empirical evidence on the importance of risk management committee (RMC) attributes in influencing the market performance of listed insurance firms in Nigeria. It highlights the role of RMC size, independence, and gender diversity in shaping the firms' market outcomes, suggesting that larger and more independent committees are associated with better market performance. Additionally, the study underscores the potential negative impact of excessively frequent meetings on market performance, offering insights for improving governance structures in insurance firms.

The findings of this study contribute to the development of agency theory and resource dependence theory in the context of risk management. The positive influence of RMC size and independence supports the notion that a more diverse and independent board can provide better oversight and reduce agency costs, leading to improved market performance. Furthermore, the study challenges the traditional view that larger committees are always beneficial, highlighting the need to balance committee size and meeting frequency to avoid inefficiencies. These insights expand the understanding of how RMC attributes influence firm performance in the insurance sector.

The study's findings have important policy implications for regulatory bodies and policymakers in the insurance sector. Policymakers may consider recommending guidelines for the optimal size and independence of risk management committees to enhance corporate governance practices and improve market performance. Moreover, the study suggests that an overly frequent

meeting schedule for RMCs may lead to inefficiencies, implying that regulators should consider encouraging firms to adopt a more balanced approach to committee meetings. The results also emphasize the need for promoting gender diversity in RMCs as it may contribute positively to market performance.

This research fills a gap in the literature by focusing on the specific impact of risk management committee attributes on the market performance of Nigerian insurance firms. It provides a deeper understanding of the relationship between corporate governance practices, particularly risk management, and market performance. The study also adds to the growing body of research on the influence of risk management committees in emerging markets, particularly in the context of Nigeria's insurance sector, providing valuable knowledge for both academia and industry.

Future studies could explore the impact of other risk management factors such as risk disclosure practices and risk management frameworks on market performance. Additionally, research could examine how other firm characteristics, such as corporate culture and leadership style, interact with RMC attributes to affect financial outcomes. It would also be valuable to investigate how risk management committee characteristics influence performance in other sectors or in firms from different emerging economies. Furthermore, future studies could explore the moderating effects of economic or market conditions on the relationship between RMC characteristics and firm performance. Finally, research could consider the role of RMC characteristics in long-term sustainability and value creation, beyond immediate market performance.

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