MJBE Malaysian Journal of Business and Economics

Effect of Board and Corporate Characteristics on Risk Management Disclosure of Listed Insurance Companies in Nigeria

Zainab Sabi'u Bello[1*], Ibrahim Yusuf[1], and Abubakar Nuhu[1]
[1]Department of Accounting, ABU Business School, Ahmadu Bello University, Zaria, Nigeria

***Corresponding author's email:**
ibrash78@gmail.com

Received: 9 May 2019

Accepted: 4 September 2019

Keywords: *risk management disclosure, board and corporate characteristics, insurance companies, Nigeria*

ABSTRACT

The extent to which listed insurance firms in Nigeria disclose risk management is increasing. This led to asking what factors influence the disclosure. This study assessed the effect of board and corporate characteristics on risk management disclosure of listed insurance companies in Nigeria. It investigated whether liquidity, firm size, number of risk management committee (NRMC) and number of risk management meetings (NRMM) influence risk management disclosure of the companies considered by this study. Correlational research design was used. Secondary data was extracted for a sample of 9 firms for 5 years (2013 – 2017). The data were analyzed using panel multiple regression. Fixed and random effect regressions were performed, and random effect regression was suggested after conducting Lagrangian multiplier test effect. The results revealed that NRMC and NRMM are significantly and positively associated with risk management disclosure. Liquidity is significant but negatively associated with risk management disclosure of the companies. It is therefore concluded that firms that disclose risk management information are those with the higher NRMC and NRMM. It is recommended that the managements of listed insurance companies in Nigeria should have more NRMC especially those with expertise in the related area. They should ensure holding meeting frequently due to its significant effect on risk management disclosure of the firms.

INTRODUCTION

The role of risk management disclosure is very important in every audited financial statement because it tells the users of financial statement the level of risk profile a company can disclose in order to have confidence on the report (Oliveira, Rodrigues, & Craig, 2011). Fuller and Jensen (2002) argue that "Trying to mask the uncertainty that is inherent in every business is like pushing on a balloon; smoothing out today's bumps means they will only pop up somewhere else tomorrow, often with catastrophic results". Therefore, studying risk management disclosure is crucial for the well-functioning of capital markets (Deumes, 2008). Disclosure of risk management practice has gained considerable attention from investors, policy makers, researchers and other stakeholders due to global economic crisis and numerous corporate failures in both developed and developing climes (for instance Enron; dot-com bubble in 1997 in East Asia). These disclosure shortcomings are claimed to impact on investor's ability to fully assess public companies and their associated risks (Mokhtar & Mellett, 2013; Abraham & Shrives, 2014). Shareholders are entitled to be informed about extraordinary and periodic information on activities of a company (Amran, Bin, & Hassan, 2009). Risk management disclosure is usually found in annual report of companies which serve as medium of communication between company's management and shareholders for decision making. In addition, Lang and Lundholm (1993) agreed that annual reports of companies are a dependable medium for shareholders and other stakeholders to assess information on risk management regarding a company.

The Nigerian Code of Corporate Governance (NCCG) has required the board of Directors of companies listed on the Nigerian stock exchange market to ensure sufficient disclosure of risk management practice and procedures of their firms as this in a long way will assist in boosting organizational outcomes. Abraham and Shrives (2014) suggest that inadequate corporate disclosure have significant effect on investors' ability in evaluating public companies and the risk associated with them. There are however arguments that mandatory disclosure by listed companies does not adequately fulfil investors diversified information needs, such argument are on the view that societal needs are dynamic, there by leading to greater needs for additional information disclosure. Yuen, Liu, Zhang and Lu (2009) are of the view that stakeholders especially investors are interested in every information of a company irrespective of whether mandatory or voluntary. Conversely, Sejjaaka (2004) argues that mandatory disclosure suffices and feels that additional disclosure may lead to information overload.

Disclosure is of two types; mandatory disclosure and voluntary disclosure. Risk management disclosure falls under voluntary disclosure. The importance of risk management disclosure in financial reporting includes, it allows investors have confidence in the financial statement and allow for decision making. However, the importance of risk management disclosure in the domain listed insurance companies in Nigeria include; it enhances firm's value, it increases transparency and makes the companies more attractive.

The presence of risk management committee affects risk management disclosure. Brown, Steen and Foreman (2009) indicate that in many companies, oversight of risk management is beyond the scope and capabilities of audit committee as they tend to focus on the oversight of financial reporting and related compliance risk rather than broad risk categories. Similarly, Daly (2006/ 2007) argues that many audit committees are overwhelmed by their risk management responsibilities. Research tends to support the role of risk management committee in assisting decision related to risk management disclosure.

Also, number of risk management meetings is a significant resource for enhancing board of directors' effectiveness (Conger, Finegold, & Lawler, 1998). It is the basic medium via which the directors to obtain vital information required to carry out their functions (Das & Dey, 2016). Relatively the more frequency of risk management meetings the more likely risk management disclosure.

Liquidity is another corporate attribute that influences risk management disclosure. The association is predicted on one hand that due to the nature of their business, listed insurance companies in Nigeria possess high liquidity level making them willing to show their immediate ability to meet their short obligations to investors, regulatory authorities (Uyar, Kilic, & Bayyurt 2013). On the hand companies, low liquidity may wish to disclose more information in order to avoid shareholders claims and to that the management is aware of the company's problem (Wallace, Naser, & Mora, 1994).

Firm size is another corporate attribute which may affect risk management disclosure, small firms are mostly less profitable, therefore it has been posited that such firms have lower financial reporting (Albitar, 2015) but large firms have the capability to carry out additional information such as risk management disclosure.

Risk management disclosure is one of the key parts of any business venture which is found as qualitative part of financial report. As noted by Lajili and Zeghal (2005), debate on importance of risk reporting started as early as 1998 when the Institute of Chartered Accountant in England and Wales (ICAEW) published discussion paper titled financial reporting risk – the ICAEW proposed that directors provide risk management information in the annual report to facilitate informed decision making in the market place. According Linsley & Shrives (2006), current annual report does provide some form of risk disclosure but in a comprehensible manner for the shareholders to understand.

Considerable studies have been conducted on risk management disclosure particularly in developed nations such as Australia, UK, US, and Italy but very few in the developing countries with mixed findings such as Nahar, Jubb, and Azim (2016). This study adds to the existing literature particularly in developing nation (Nigeria) considering the role of risk management disclosure as part of voluntary disclosure in the listed insurance companies in Nigeria as few studies were conducted in the area. Furthermore, to the best of researchers' knowledge these four independent variables against the dependent variable risk management disclosure is another gap as none of the previous studies used them in a single model. In addition, number of risk management meetings and liquidity has not been considered in previous studies as explanatory variables against the explained variable Risk Management Disclosure. Therefore, this paper intends to fill this variable gap. The period of the study in Nigeria need to be updated as much development took place such as emergence of IFRS in 2012, Financial Reporting Council of Nigeria (FRCN) and TSA in 2012 as well as economic recession in 2016. Moreover, it is worthwhile to note the importance of disclosure of risk management activities such as credit risk, liquidity risk, and market risk in which managing this type of risk is considered as fundamental in the listed insurance companies in Nigeria.

Based on the problem of the study, a question was raised as to what extent does number of risk management committee, number of risk management meetings liquidity and firm size affect risk management disclosure of listed insurance firms in Nigeria. However, the main objective of this paper is to investigate the effect of board and corporate characteristics on risk management disclosure of listed insurance firms in Nigeria. Specific objectives are to examine the effect of number

of risk management committee, number of risk management meetings, liquidity and firm size on risk management disclosure of listed insurance firms in Nigeria. However, based on the objective of the study it is hypothesized that liquidity, firm size, number of risk management committee and number of risk management meetings has no significant effect on risk management disclosure of listed insurance firms in Nigeria. The scope of the study covers five years (5) from 2013 – 2017. It is evident that a lot of development has taken place in Nigeria which affects Listed Insurance Firms in Nigeria from 2013. Among the development that have taken place are the emergence of IFRS in 2012, Freedom of Information Act in 2012, Treasury single Account in 2012 and recent economic recession in 2016.

This study is motivated by the expected contribution both practically and theoretically to various stakeholders and serves as basis for decision makers. A study of this nature will aid policy makers and operators to explain why firms adopt certain disclosure strategy, company's disclosure of risks and how these risks are identified, managed, analysed and evaluated give the user of corporate report the ability to understand business risk and risk profiles.

Practically the findings of this study will be of benefits to accountants, financial analyst, financial consultant, government among others. Theoretically, student and researchers in this field are expected to benefit immensely from the findings of this study and to serve as guide for further researchers.

LITERATURE REVIEW

This section discusses related literatures on board and corporate attributes of listed insurance companies in Nigeria, specifically it discuses conceptual framework, review of empirical studies, and theoretical framework that underpins the study.

Disclosure can either be mandatory or voluntary in the financial statement and are the main two channels by which managers communicate information to shareholders and other stakeholders. According to Hassan (2009) and McKinnon and Dalimunthe (1993), risk reporting is defined as set of information communicated in financial statement dealing with manager's estimate, judgments reliance on market-based accounting policies such as impairment, derivatives, hedging, financial instruments, economic, political, financial management risks and internal control risks. Schrand and Elliott (1998) argue that risk disclosure is all types of information communicated in financial statement dealing with business uncertainties. Therefore, risk management disclosure can simply be defined as all information related to risk found in the financial statement which serve as medium of communication between management, shareholders and other stakeholders. Some studies used weighted or unweighted disclosure approach in measuring the weight of the information disclosure. Other studies used unweighted checklist disclosure, in addition, some studies constructed new disclosure checklist, and some adopt or adapted it.

Risk management committee is an extension of audit committee. They operate independently from audit committee and perform more effectively in discharging their risk management oversight responsibilities and including ensuring risk disclosure are more complete and useful to stakeholders (Buckby, Gallery, & Ma, 2015). Risk management committee is characterized as risk governance mechanism to manage firm's risk appetite, embrace risk and effectively communicate risk with diverse stakeholders (Barakat & Hussainey, 2013). Therefore, risk management committee can be defined as committee that manages the affairs of risk issues in a company. It is measured as number of members of the management committee.

Board meetings are viewed as the gathering of directors on the board to discuss issues regarding the company (Kakanda, Salim, & Chandren, 2016). Board meetings serve as a means or an avenue for making effective decisions of a firm. Board exhibits significant abilities in terms of counselling, penalizing and overseeing management actions (Vafeas, 1999). Board meetings can be defined as coming together of directors in order to discuss issues related to the affairs of the company. It is measured as number of meetings held by directors for a particular period usually one year.

Yusuf (2018) defined firm size as a reflection of political cost theory since bigger companies capture the interest of public government agencies. McKinnon and Dalimunthe (1993) and Schipper (1991) note that bigger listed companies are in better position to disclose more information in order to win public mind in view of the fact that none disclosure may be perceived as signal of bad news which may influence stakeholder's decision, therefore firm size can be defined as total assets owned and controlled by firm for a specific period of time. Different measures have been used by scholars such as total asset, sales, market capitalization, number of employees, among others.

Ehiedu and Chukwunweik (2014) defined liquidity as the ability for the company to have sufficient capital in its account or cash deposited by individuals and portfolio which is any collection of financial assets such as stock bonds and cash that may be held by individual investors and or managed by professionals. Umobong (2015) defines liquidity as the ability of the firm to meet its shortterm obligations using the most liquid assets (cash or receivables). Liquidity can be defined as the ability of the firm to meet its immediate obligation as at when due. It is calculated as the ratio of current asset to current liabilities.

Buckby et al. (2015) conducted a study on analysis of risk management disclosures: Australian evidence for the period of 2010 of 300 top largest Australian listed companies in the stock exchange market. The study used risk committee, technology committee, board independence, audit committee independence and audit expertise as independent variables on risk management disclosure which is the dependent variable. It adopted thematic content analysis and regression analysis. The study found out that risk committee and technology committee positively improved level of risk management disclosure. Factors such as board independence and expertise, audit committee independence do not have impact on the level of disclosure. The result used cross-sectional data analysis (that is, many firms for one period), it should have adopted panel data series analysis (that is, many firms for many years in order to see the changes that occur between the years.

Nahar et al. (2016) conducted a study on risk management and performance for the period of seven years (2006 – 2012). The study used number of risk committee and existence of risk management unit as explanatory variables, it adopts regression analysis and found that the number of risk committee and existence of risk management unit improve risk management disclosure and risk monitoring. The period of the study is not updated as there is interval of four years between the scope of the study and the period which the study was conducted. Hassan, Naser, and Hijazi (2016) conducted a study on influence of corporate governance on corporate performance using board meetings as one of the independent variables and found that board meetings frequency has a negative influence on firm performance of non-financial sampled companies listed on Palestinian stock exchange for the period of 2010 – 2012. The scope of the study is not updated compared to the period of study.

Kakanda et al. (2016) conducted a study on the review of the relationship between board attributes and firm performance of listed deposit money banks in Nigeria for the period of five years from 2012 – 2016 using board size, board composition, board meetings frequency, board expertise and risk management disclosure as independent variables against firm performance which is the dependent variable with sample of 15 Deposit Money Banks in Nigeria listed on the Nigerian stock exchange. Random effect regression model was employed for the purpose of testing the relationship between explained variable and explanatory variables. The study finds that board size, board composition and risk management disclosure have significant positive effect on firm performance of listed deposit money banks in Nigeria, whereas frequency of board meetings has significant negative influence on performance.

Beretta and Bozzolan (2004) conducted a study in Italy on a framework for the analysis of firm risk communication using firm size and industry type as independent variables and risk management disclosure as dependent variable. It uses seven non-financial companies for one period (cross-sectional data), it adopts ordinary least square model regression analysis and found out that size and industry does not influence disclosure quantity. The sample used is too small for the study and no further area for further researchers.

Hassan (2009) conducted a study on the corporation's specific characteristics and level of risk disclosure in United Arab Emirate. The study used corporate size, number of risk management committee ratio, liquidity and risk factor as explanatory variables against risk disclosure using 42 empirical studies. It adopts meta-analysis and found that corporate size, number of risk management committee ratio, liquidity and risk factor are positively associated with risk reporting. The study fails to capture the necessary tables of the result which is very important, and the scope of the study is far behind compare to the period of study.

Barako (2007) empirically examines the determinant of risk management disclosure of listed Kenyan company's annual report for 10 years from 1992 – 2001 with a sample of 54 companies. He assessed the relationship of corporate governance attributes and ownership structure. For firm attributes against the dependent variable, for firm attribute, firm size, liquidity, number of risk management committee and type of audit firm. The study used unweighted disclosure index and it used ordinary least square, based on the findings liquidity and firm size has significant effect on risk management disclosure. Therefore, in line with the review the study fails to capture validity and reliability test for the data used and the scope stops at 2001 which may not be application to the current period due to several pronouncement and standard.

Hawashe and Rudduck (2014) conduct empirical study on commercial banks attributes and annual disclosure from Libyan stock market firms. The study used liquidity, firm size, liquidity and government ownership, foreign ownership and listening status as explanatory variables against disclosure for the period of six years using nine banks as sample. Ordinary least square regression model was used to assess the relationship and it was found that firm size and listening status indicate a significant positive relationship with disclosure. Conversely other variables like liquidity were insignificant. The study failed to interpret the β_1, β_2, and the theory underpinning the study is missing.

The theories that underpin this study are agency theory and positive accounting theory. Agency theory as proposed by Jensen and Meckling (1976) is a theory that looks at how to ensure that agents act in the best interest of the principal and to bridge information asymmetry. Risk management disclosure as part of risk management disclosure is a means

of mitigating information asymmetry since it reduces agency cost which results from conflict between managers and shareholders. According to the theory, risk reporting may reduce agency cost and information asymmetry between managers and shareholders (Watts & Zimmerman, 1990).

Positive accounting theory was developed by Watts and Zimmerman (1990) which is mainly on companies accounting choices in relation to other firm variables such as firm size. However, risk management disclosure is an accounting choice. The authors also affirm that the extent of accounting disclosure is correlated with firm attributes.

METHODOLOGY AND MATERIALS

This section discusses the methodology used in line with the research objectives. This includes research design, population and sample size, sources and method of data collection, techniques of data analysis, variables measurements and model specification. Thus, correlation research design was used. It is considered most appropriate research design for this study because it allows for testing of expected effect between and among variables and logical inferences regarding such relationships could be drive. Therefore, in view of this context of study, the expected effect is between board and firm characteristics on risk management disclosure of listed insurance companies in Nigeria. The study used four explanatory variables (risk management committee, risk management meetings, firm size, and liquidity) against one dependent variable which is risk management disclosure.

The population of the study includes all the 28 listed insurance companies in Nigeria as at 31st December 2017 on the floor of the Nigerian Stock Exchange (NSE). Two filters were applied to select the companies that meet the criteria. Firstly, a firm must be listed continuously on the NSE from 2013 – 2017 and secondly, firm must have financial statement available for the period under study. Therefore, after applying the first filter, eight companies were removed which reduces the population to 20. Furthermore, after applying the second filter 12 companies were further removed. Thus nine companies satisfied the criteria which form the sample of the study. Therefore, the sample size for the study is nine. The study uses secondary source for data collection, data of the dependent variable were arrived at via risk management disclosure index. An unweighted disclosure checklist has been used (Linsley & Shrives, 2006; Kakanda et al. 2016; Cooke, 1989; Qu, 2011; Ibrahim, 2014). The disclosure index can be mathematically shown as follows:

$$RMDL = ERMD\backslash ARMD$$

Where: RMDL = Risk Management Disclosure, ERMD = Expected Risk Management Disclosure, ARMD = Actual Risk Management Disclosure

Data of the four explanatory variables were extracted from the annual report and accounts of the sampled listed insurance companies in Nigeria on the NSE as at 31st December 2017. This study adopt the checklist as used by Hossain and Hammami (2009), Qu (2011) and Ibrahim (2014) with modification. The approaches for the checklist are weighted and unweighted. This study used unweighted approach as used by Filsaraei and Azarberahman, (2016) and Yusuf (2018) for scoring. This means that all items in the study have equal weight. This is in view of the fact that there is no agreed theory of the number and the selection of the items to include in a disclosure checklist as noted by Wallace, Naser and Mora (1994). The disclosure checklist is given in Appendix B.

Techniques of data analysis based on the type of data and previous research studies; the study uses multiple regression technique as the major of data analysis which is performed using STATA statistical

software. The study further analyses the data using various robustness tests such as multicollinearity, normality, heteroscedasticity among others. These are performed to ensure that explanatory variables themselves do not correlate, the data are normally distributed and the variability in the error term is constant. The essence of these tests is to improve the validity and reliability of all the statistical inferences that are made and panel data regression model is adopted. However, fixed and random effect tests are performed out of which Hausman specification is run to give direction as to which one to adopt in the analysis as well as Lagrangian multiplier test effect.

Dependent and independent variables measurement are Risk Management Disclosure = Measured as an index which indicates that a firm is scored 1 for an item disclosed in the annual report and otherwise 0. Then the risk management disclosure index is computed for each firm as a ratio of actual disclosure to total expected disclosure, the disclosure of each firm is expressed as a ratio. Liquidity = the ratio of current assets to current liabilities. Firm size = Log of total assets. Number of risk management committee = Measured as number of risk management committee. Number of risk management meetings = Measured as number of meetings held by risk management committee.

The model of the study is econometrically expressed as follows:

$$RMDL_{it} = \alpha_0 + \beta_1 LIQD_{it} + \beta_2 FSIZ_{it} + \beta_3 NRMC_{it} + \beta_4 NRMM_{it} + \varepsilon_{it}$$

Where: RMDL = Risk Management Disclosure, LIQD = Liquidity, FSIZ = Firm Size, NRMC = Number Risk Management Committee, NRMM = Number Risk Management Meetings

ε = error term, *i* = Firm *i*, *t* = time *t*, α_0 = Constant, $\beta_1 - \beta_4$ = Beta coefficient

RESULT, FINDINGS AND DISCUSSION

Descriptive and inferential statistics of the data collected for the study are presented, discussed and interpreted. The descriptive statistics of the variables are discussed first, and then the correlation matrix of the variables of the study. This is followed by the presentation, interpretation and discussion of the regression results and test of hypotheses of the study. The discussion of the major findings of study and the policy implications of the findings form the last discussion under the heading. The summary of the descriptive statistics of the data is presented in Table 1.

Table 1 Summary of descriptive statistics of the variables

Varia.	M	SD	Min	Max	Ske.	Kurt.	N
Rmdl	0.806	0.545	0.188	4.125	5.092	32.068	45
Liqd	1.422	1.173	0.112	4.747	0.619	2.804	45
Fsiz	4.886	5.423	2.063	19.963	1.677	4.066	45
Nrmc	4.778	1.444	0.000	7.000	-0.475	3.971	45
nrmm	3.378	1.029	0.000	5.000	-0.680	4.001	45

Source: Stata Output, 2019

Table 1 depicts the descriptive statistics. The average risk management disclosure reported by the sample firms is 0.806, with standard deviation of 0.545 signifying that the data deviate from the mean value by 0.545. It can be deduced from the result that there is no wide dispersion between the mean and the standard deviation. This indicates that there is no much gap between risk management disclosures of the sample firms. The minimum risk management disclosure among the sample firms is 0.188 with a maximum of 4.125. The low amount of risk management disclosure information disclosed in the body

of financial reports could be explained on the basis that this type of information is voluntary in nature, and no effective regulations enforce firms to reveal it. However, the coefficient of Skewness 5.092 implies that the data failed to meet the condition of being symmetrically distributed suggests a value of 0 for Skewness. The kurtosis of 32.068 implies that the data does not meet a Gausian distribution which suggests 3 for kurtosis.

Similarly, liquidity as one of the proxies has mean average of 1.422 with a standard deviation of 1.173. It also has a minimum and maximum of 0.112 and 4.747 respectively. This implies that the average liquidity for the sample firms is ₦1.422 billion, while the minimum and maximum liquidity are ₦0.122 billion and ₦4.747 billion respectively. On the other hand, the coefficient of Skewness 0.619 implies that the data is positively skewed, and thus, the data does not meet the symmetrical distribution, which suggests a value of 0 for Skewness. The kurtosis value of 2.804 also shows that most of the values failed to meet a Gaussian distribution of three kurtosis.

The summary statistics with respect to firm size shows minimum and maximum values of 2.063 and 19.963 respectively. On average in the sample firms the mean value of 4.886 with the standard deviation of 5.423. This implies that the sample firms maintained a minimum of ₦2.063 billon assets and maximum assets of ₦19.963 billion. Also, on the average the sampled firms maintained an average asset of ₦4.886 billion with dispersion among them of ₦5.423 billion. This implies that some of the firms' assets are by far out weight their counterpart in the industry. The coefficient of Skewness 1.667 implies that the data is not normally distributed, and therefore does not conform to the symmetrical distribution requirement. Moreover, the coefficient of Kurtosis of 4.066 indicates that the firm size variable does not meet the Gaussian distribution criterion of 3.

The descriptive statistics in Table 1 shows that on average the number of risk management committee during the period covered by the study is 5, from the mean value of 4.778 with standard deviation of 1.444. This implies that the data deviate from the mean by 1.444. The standard deviation suggests that the data is not widely dispersed because it is closer to the mean. The minimum and maximum values of number of risk management committee as measured are 0 and 7 respectively. This implies that some of the sample firms does not have risk management committee, but some have up to a maximum of 7. The coefficient of Skewness –0.475 implies that the data is negatively skewed, and therefore does not conform to the symmetrical distribution requirement of normal data. Similarly, the coefficient of Kurtosis 3.971 also supports that the variable does not meet the Gaussian distribution criterion of the normal data.

Table 1 also indicates that, the minimum and maximum values of number of risk management meeting are 0.000 and 5.000 respectively, with the mean value of 3.378 and standard deviation of 1.029. This implies that the minimum number of risk management meeting of the sample firms is 0 because some firms do not have risk management committee. However, the maximum number of risk management meeting is 5. The average number of risk management meeting of the sample firms is 3 with a deviation of 1. The coefficient of Skewness –0.680 implies that the data is negatively skewed, and therefore does not conform to the symmetrical distribution requirement of 0. Moreover, the coefficient of Kurtosis 4.001 indicates that the number of risk management meeting as one of the proxies does not meet the Gaussian distribution criterion.

Therefore, having done with the analysis of the descriptive statistics of the data collected for the variables of the study which to a large extent suggested that the data is not normally distributed, the study adopts Shapiro Wilk

test to find statistical evidence as to whether the data of the variables of the study follow the normal curve or not. The results of data normality test of the variables are presented in Table 2 as follows:

Table 2 Normality test result

Var.	W	V	Z	PV	N
rmdl	0.693	13.282	5.482	0.000	45
liqd	0.939	2.645	2.062	0.020	45
fsiz	0.599	17.386	6.052	0.000	45
nrmc	0.661	14.670	5.692	0.000	45
nrmm	0.639	15.626	5.926	0.000	45

Source: Stata Output, 2019

In determining the normality of the data, null hypothesis principle was used in the Shapiro-Wilk (W) test, that the data is normally distributed is tested. Table 2 indicates that data from the variables of the model are not normally distributed because the P-values are significant at 1% for rmdl; fsiz; nrmc and nrmm variables, while liqd is significant at 5%. Therefore, the null hypothesis (that, the data is normally distributed) is rejected for the variables considered by the study. This may lead to some problems in OLS regression and, hence the need for a more generalized regression model. The inferential statistics of the data collected from which the hypotheses of the study are tested are presented and interpreted subsequently after analysing the descriptive statistics and test for normality.

Table 3 Correlation results

var.	rmdl	liqd	fsiz	nrmc	nrmm
rmdl	1.000				
liqd	–0.281	1.000			
	0.061				
fsiz	0.044	–0.050	1.000		
	0.774	0.745			
nrmc	0.146	0.058	0.090	1.000	
	0.339	0.703	0.555		
nrmm	0.157	0.010	0.035	0.777*	1.000
	0.304	0.949	0.819	0.000	

Source: Stata Output, 2019
*significant at 1%

Table 3 shows that risk management disclosure is 28% negatively associated with liquidity and significant at 10% level of acceptance. This signifies that the higher the risk management disclosure, the lesser the level of liquidity by the sampled firms. This equally implies that the more management involve in disclosure of risk management, the more money will be spent by the management which in turn lesser the liquidity. The table also shows the correlation coefficient between risk management disclosure and firm size of 4% which is positively not significant at all level of acceptance. This positive correlation indicates that those firms with high firm size are likely to disclose more risk management. Number of risk management committee is positively associated with risk management disclosure of listed insurance firms in Nigeria and not significant at all level of confidence with p-value of 0.34. This signifies that increase in number of risk management committee results to increase in the level of risk management disclosure for the sampled firms. The result from the table also indicates that there is a positive relationship between level of risk management disclosure and number of risk management meeting from the correlation coefficient of 16% which is not significant with p-value of 0.30. This implies that as number of risk management meeting increase, equally the level of risk management disclosure increases of the sampled firms.

Table 3 however shows that the correlation among the explanatory variables (liquidity and firm size; liquidity and number of risk management committee; liquidity and risk management meeting; firm size and number of risk management committee; firm size and risk management meeting and number of risk management committee and risk management meeting) ranges between 5% and 10%. Thus, some of the relationships are positive, negative while liquidity and firm size is negatively related with risk management disclosure. However, the correlation coefficient between the variables shows that there

is no presence of serious multicollinearity among the regressors and it does not exceed the threshold of 0.8 correlations among explanatory variables (Hair, Black, Babin, & Anderson, 2010).

Similarly, the study conducted multicollinearity test using VIF and TV. The result of the test is presented in Table 4:

Table 4 VIF and tolerance values

Variables	VIF	1/VIF
liqd	1.78	0.562
fisiz	1.43	0.701
nrmc	1.31	0.765
nrmm	1.11	0.904
Mean VIF	1.41	

Source: Stata Output, 2019

Table 4 reveals that the variables used do not pose multicollinearity problem. This is evident from their VIF values being less than 10 and tolerance values being greater than 0.10 as rule of thumb. This agrees with the assumption of classical regression model which states that there should not be multicollinearity among the regressors included in the model. Also, Heteroscedatiscity test was conducted to find out whether the disturbances appearing in the population regression function are homoscedastic (same variance). Breusch-Pagan/cook-weisberg test for Heteroscedasticity was conducted. The result as presented in Appendix A produces the value of chi square of 0.62 with its probability of 0.4312 which is not significant. This indicates that there is no presence of heteroscedasticity.

Considering the panel attributes of the study, fixed and random effect tests were carried out. The results of these are presented in Appendix A. Hausman specification test was performed to give direction as to the one (fixed or random) to choose, the result of which reveals probability chi-square of 0.9714. On this basis, result for fixed effect test was to be used for analysis and derivation of logical inferences. The decision is subject to the result of Lagrangian multiplier test in which if it is significant, random effect will be used, otherwise OLS robust regression will be used. The result shows that Breusch and pagan Lagrangian multiplier test for random effects (0.0448) is significant at 5% as shown in Table 5. Therefore, random effect regression result will be used in drawing statistical inferences because there are no panel effects in the data. Table 5 shows the regression summary result.

Table 5 Summary of regression result

Random Effect Model	
Variables	**Statistics**
R^2 Within	0.4502
R^2 Between	0.3349
R^2 Overall	0.4031
Wald chi2	30.53
Prob>F	0.0000

Source: Stata Output, 2019

Table 5 above indicated that the variables of the corporate characteristics (liquidity, firm size, number of risk management committee and number of risk management meeting) explained around 45.02% of the variations against risk management disclosure of listed insurance companies in Nigeria, from the overall coefficient of multiple determinations of R^2 value of 0.4502. The table also shows that the model is fitted as evident by the Wald chi2t of 30.53 which is at 99% confidence level as shown by the p-value of 0.0000. On this basis, Table 6 presents robustness tests conducted on the data of the sampled companies for the study and followed by test of hypothesis.

Table 6 Robustness regression result

Variables	Coefficients	P-Value
Liqd	−0.300	0.085
Fsiz	0.026	0.555
Nrmc	0.402	0.000
Nrmm	0.322	0.044
_cons	−1.782	0.005

Source: Stata Output, 2019

The study tested the hypotheses formulated for the study, in view of the robustness of the results, which can be considered as best linear unbiased estimators. Table 6 presents

the coefficients of the variables of the study from which the hypotheses are tested. From the result liquidity has a significant negative effect on risk management disclosure of listed insurance companies in Nigeria as indicated by the coefficient of –0.300 which is significant at 10% from its p-value of 0.085. This means, firms' liquidity is vital in improving the level of risk management disclosure of the sample firms. This equally implies that the more firms engage in disclosing risk management, the less their companies' liquidity since cost is attached in disclosing it. Therefore, the study rejects the null hypothesis which states that, liquidity has no significant effect on the risk management disclosure of listed insurance companies in Nigeria. Therefore, the study infers that liquidity has significant negative effect on the risk management disclosure of listed insurance companies in Nigeria. The result is consistent with that of Watson, Shrives, and Marston (2002) findings that reports insignificant effect and contradicts Zeghal, Mouelhi, and Louati (2007). According to signalling theory, it was expected that managers of companies that are performing well disclose more information about their risk management, in order to send signs to the market about the quality of the companies they manage (Alivar, 2006). Agency theory also suggests that managers of liquid firms tend to disclose more information to support the prolongation of their positions and compensation arrangements (Inchausti, 1997).

Moreover, the results indicated non-significant positive effect of firm size on the level of risk management disclosure of listed insurance companies in Nigeria. This is evident from the coefficient of 0.026 which is not significant at all level of acceptance from the p-value of 0.555. This implies that firm size does not contribute significantly in improving the level of risk management disclosure of the sample firms. As such, the study therefore failed to reject the null hypothesis which states that firm size has no significant effect on the risk management disclosure of listed insurance companies in Nigeria. The study therefore infers that firm size has no significant positive effect on the risk management disclosure of listed sample companies in Nigeria during the period covered by the study. The result is consistent with Rajab and Handley-Schachler (2009) findings and contradicts Yusuf's (2018).

The results from Table 6 however shows that number of risk management committee has a positive significant effect on the risk management disclosure, from the coefficient of 0.402 which is significant at 1% levels from the p-value of 0.000. This means that as number of risk management committee increase, risk management disclosure increase. Therefore, number of risk management committee and risk management disclosure move in the same direction. Based on this evidence, the study rejects the null hypothesis which states that number of risk management committee has no significant effect on risk management disclosure of listed insurance companies in Nigeria. The result supports the findings of Hassan (2009) which show a significant positive effect between number of risk management committee and risk management disclosure. This study contradicts Watson et al.'s (2002). Agency theory suggests that the level of information disclosure increases as the number of risk management committee of the firm increase.

On the contrary, the results from the table indicates that number of risk management meeting has a positive effect on risk management disclosure of listed insurance firms in Nigeria considering the coefficient of 0.322 and p-value of 0.044 which is significant at 5%. This suggests that number of risk management meeting has a direct influence on the level of risk management disclosure. Thus, based on statistical evidence, this study rejects the null hypothesis which states that number of risk management meeting has no significant effect on the risk management disclosure of listed insurance companies in Nigeria. This implies that, as number of risk management meeting increases, risk

management disclosure will also increase in same direction.

This study corroborates with the findings of McKinnon and Dalimunthe (1993). This positive statistically significant result between the number of risk management committee and risk management disclosure can be also explained by the fact that firms that feel more observed tend to increase the level of their risk management disclosure to keep their reputation and ensure their survival (Alivar, 2006). On the other hand, Zeghal et al. (2007) reported negative relationship.

CONCLUSION

This study examined the effect between board and corporate characteristics and risk management disclosure of listed insurance companies in Nigeria. Specifically, the study assessed the effect of liquidity, firm size, number of risk management committee and number of risk management meeting on the risk management disclosure of listed insurance companies in Nigeria. From the tests conducted on the data collected and the analysis of the results, this study found that board and corporate characteristics examined are strongly associated with risk management disclosure of listed insurance companies in Nigeria, except firm size which has no significant effect on the risk management disclosure of listed insurance companies in Nigeria. The regression results indicated that the variables of board and corporate characteristics explained more than 45.02% of the total variation on risk management disclosure of listed insurance in Nigeria at 99% confidence level during the period covered by the study. This means 54.98% are explained by other factors not covered. This suggests that, board and corporate characteristics covered of listed insurance companies in Nigeria have effect on the risk management disclosure of the sampled firms.

Therefore, based on the findings, the study concluded that board and corporate characteristics considered in this study have significant effect on risk management disclosure of listed insurance companies in Nigeria. In particular, the study concludes that number of risk management committee and number of risk management meeting have a significant positive effect on risk management disclosure of listed insurance companies in Nigeria while liquidity has negative significant effect. Finally, the study concludes that firm size has positive insignificant effect on risk management disclosure of the sample firms. On this, it is inferred that improving these attributes could enhance risk management disclosure for those with positive effect.

In line with the findings and the conclusions of the study, the study recommends that relevant policy makers and regulators should intensify regulations, surveillances and monitoring listed insurance companies in Nigeria due to the evidence of risk management disclosure that is associated with the board and corporate attributes examined. Particularly, they should make it a policy that the examined listed firms should consider disclosing firms' information voluntarily. Specifically, the following recommendations are offered:

i. The managements of listed insurance companies in Nigeria should maintained minimum liquid to reduce extra cost attached to holding unnecessary liquid assets. This is because liquidity has a strong statistical negative effect with risk management disclosure. This can be achieved by ensuring that working capital management concept is strictly adhered and applied accordingly. This implies that, they should not keep excess cash or having less cash at their disposal.
ii. The management of listed insurance companies should not consider the largess or otherwise as basis for

disclosing risk management information since the findings found that nothing to do with firm size based. The issue of risk management disclosure affects both small and larger scale business which otherwise guaranteed shareholders confidence.

iii. The management of listed insurance companies should have more members in risk management committee especially those with expertise in the related area. This can be done since firms with high number of risk management with professionalism have the tendency to disclose risk management information voluntarily. As they disclose it voluntarily, shareholders will be well informed and in turn make them take the right decision on the company. There could be more future investment and employment opportunities. It is a signal of financial success of the venture and it promotes its impression positively.

iv. The management of listed insurance companies in Nigeria should ensure holding meeting frequently due to its positive and significant effect on risk management disclosure of the companies. This can be achieved by ensuring that members are well informed. This will serve as quality assurance to stakeholders.

REFERENCES

Abraham, S., & Shrives, P. (2014). Improving the relevance of risk factor disclosure in corporate annual reports. *The British Accounting Review*, *46* (1), 91 – 107.

Albitar. (2015). Firm characteristics, governance attributes and corporate voluntary disclosure: A study of Jordanian listed companies. *International Business Research*, *8* (3).

Alivar, A. (2006). Disclosure in financial reporting. *Center for Professional Accounting & Auditing Studies: Audit Organization*.

Amran, A., Bin, A. M.R. & Hassan, B.C.H.M. (2009). Risk reporting: An exploratory study on risk management disclosure in Malaysian annual reports. *Managerial Auditing Journal*, *24* (1), 39 – 57.

Barakat, A., & Hussainey, K. (2013). Bank governance, regulation, supervision, and risk reporting: Evidence from operational risk disclosures in European banks. *International Review of Financial Analysis*, *30*, 254 – 273.

Barako, D. G. (2007). Determinants of voluntary disclosures in Kenyan companies annual reports. *African Journal of Business Management*, *1* (5), 113 – 128.

Beretta, S., & Bozzolan, S. (2004). A framework for the analysis of firm risk communication. *The International Journal of Accounting*, *39*, 265 – 288.

Brown, I., Steen, A., & Foreman, J. (2009). Risk management in corporate governance: A review and proposal. *Corporate Governance: An International Review*, *17* (5), 546 – 558.

Buckby, S., Gallery, G., & Ma, J. (2015). An analysis of risk management disclosures: Australian evidence. *Managerial Auditing Journal*, *30* (8/9), 812 – 869.

Conger, J. A., Finegold, D., & Lawler, E. E. (1998). Appraising boardroom performance. *Harvard Business Review*, *76*, 136 – 164.

Cooke, T. E. (1989). Disclosure in the corporate annual reports of Swedish companies. *Accounting and Business Research*, *19* (74), 113 – 124.

Daly, K. (2006/ 2007). Audit committees are far from happy. *Directorship*, *34*. Retrieved from http://www.directorship.com

Das, A., & Dey, S. (2016). Role of corporate governance on firm performance: A study on large Indian corporation after implementation of companies' Act 2013. *Asian Journal of Business Ethics*, 1 – 16.

Deumes, R. (2008). Corporate risk reporting: A content analysis of corporate risk disclosures in prospectuses. *Journal of Business Communication*, *45* (2), 120 – 157.

Ehiedu, T., & Chekwunweik, V. (2014). The effect of liquidity on liquidity of some selected companies: The financial statement analysis (FSA) approach. *Research Journal of Finance and Accounting*, *5* (5), 81 – 90.

Filsaraei, M., & Azarberahman, A. (2016). An association between firms' characteristics and voluntary disclosure extent of financial and nonfinancial information on annual reports of board of directors in Iran. *American Journal of Economics, Finance and Management*, *2* (1), 1 – 7.

Fuller, J., & Jensen, M. (2002). Just say no to Wall Street. *Journal of Applied Corporate Finance*, *14*, 41 – 46.

Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2010). *Multivariate data analysis: A global perspective* (7th Ed.). Upper Saddle River: Pearson Education.

Hassan, M. K. (2009). UAE corporations-specific characteristics and level of risk disclosure. *Managerial Auditing Journal*, *24* (7), 668 – 687.

Hassan, Naser & Hijazi. (2016). The influence of corporate governance on corporate performance: Evidence from Palestine. *Afro-Asian Journal of Finance and Accounting*, *6* (3), 269 – 287.

Hawashe, A., & Ruddock, L. (2014). An evaluation of voluntary disclosure in the annual reports of commercial banks: Empirical evidence from Libya. In *Salford Postgraduate Annual Research Conference*, 217 – 22.

Hossain, M., & Hammami, H. (2009). Voluntary disclosure in the annual reports of an emerging country: The case of Qatar. *Advances in Accounting*, *25* (2), 255 – 265.

Ibrahim, K. (2014). Firm characteristics and voluntary segments disclosure among the largest firms in Nigeria. *International Journal of Trade, Economics and Finance*, *5* (4), 327.

Inchausti, B. G. (1997). The influence of company characteristics and accounting regulation on information disclosed by Spanish firms. *European Accounting Review*, *6* (1), 45 – 68.

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency cost and ownership structure, *Journal of Financial Economics, 3* (1), 305 – 360.

Kakanda, M. M., Salim, B., & Chandren, S. (2016). Review of the relationship between board attributes and firm performance. *Asian Journal of Finance & Accounting*, *8* (1), 168 – 181.

Lajili, K., & Zeghal, D. (2005). A content analysis of risk management disclosures in Canadian annual reports. *Canadian Journal of Administrative Sciences*, *22* (2), 125 – 142.

Lang, M., & Lundholm, R. (1993). Cross-sectional determinants of analyst ratings of corporate disclosures. *Journal of Accounting Research*, *31* (2), 246 – 271.

Linsley, P., & Shrives, P. (2006). Risk reporting: A study of risk disclosures in the annual reports of UK companies. *The British Accounting Review*, *38* (1), 387 – 404.

Linsley, P., Shrives, P.J., & Crumpton, M. (2006). Risk disclosure: An exploratory study review and Proposal. *An International Review*, *17* (5), 546 – 558.

McKinnon, J. L., & Dalimunthe, L. (1993). Voluntary disclosure of segment information by Australian diversified companies. *Accounting and Finance*, *33* (1), 33 – 50.

Mokhtar, E. S., & Mellett, H. (2013). Competition, corporate governance, ownership structure and risk reporting. *Managerial Auditing Journal*, *28* (9), 838 – 865.

Nahar, S., C. Jubb, Y., & Azim, M. I. (2016). Risk governance and performance: A developing country perspective. *Managerial Auditing Journal*, *31* (3), 250 – 268.

Oliveira, J., Rodrigues, L. L., & Craig, R. (2011). Voluntary risk reporting to enhance institutional and organizational legitimacy: Evidence from Portuguese banks, *Journal of Financial Regulation and Compliance*, *19* (3), 271 – 289.

Qu, W. (2011). *A study of voluntary disclosure by listed firms in China* (PhD thesis). Deakin University, Australia.

Rajab, B., & Handley-Schachler, M. (2009). Corporate risk disclosure by UK firms: Trends and determinants. *World Review of Entrepreneurship, Management and Sustainable Development*, *5* (3), 224 – 243.

Schipper. (1991). Analysts' forecasts. *Accounting Horizons*, *5* (4), 105 – 131.

Schrand, C. M., & Elliott, J. A. (1998). Risk and financial reporting: A summary of the discussion at the 1997 AAA/FASB conference. *Accounting Horizons*, *12* (3), 271 – 282.

Sejjaaka S. (2004). A process based model for corporate mandatory disclosure. In F. Ayadi (Ed.). *International Academy of African Business Conference Proceedings*, April, 2005.

Umobong, A. A. (2015). Assessing the effect of liquidity and liquidity ratio on growth of profit in pharmaceutical firms in Nigeria. *European Journal of Accounting, Auditing and Finance Research*, *3* (10), 97 – 114.

Uyar, A., Kilic, M., & Bayyurt, N. (2013). Association between firm characteristics and corporate voluntary disclosure: Evidence from Turkish listed companies. *Intangible Capital*, *9* (4), 1080 – 1112.

Vafeas, N. (1999). Board meeting frequency and firm performance. *Journal of Financial Economics*, *53* (1), 113 – 142.

Wallace, R. S. O., Naser, K., & Mora, A. (1994). The relationship between the comprehensiveness of corporate annual reports and firm characteristics in Spain. *Accounting and Business Research*, *25* (97), 41 – 53.

Watson, A., Shrives, P., & Marston, C. (2002). Voluntary disclosure of accounting ratios in the UK. *British Accounting Review*, *34*, 289 – 313. http://dx.doi.org/10.1006/bare.2002.0213

Watts, R. L. & Zimmerman, J. L. (1990). Positive accounting theory: A ten-year perspective. *The Accounting Review*, *65* (1), 131 – 156.

Yuen, D. C. Y, Liu, M., Zhang, X., & Lu, C. (2009). A case study of voluntary disclosure by Chinese enterprises. *Asian Journal of Finance and Accounting*, *1* (2), 118 – 145.

Yusuf, I. (2018). *Effect of firm attributes on voluntary accounting disclosure of listed financial service companies in Nigeria* (PhD thesis). Ahmadu Bello University, Zaria, Nigeria.

Zeghal, D., Mouelhi, R., & Louati, H. (2007). An analysis of the determinants of research and development risk management disclosure by Canadian firms. *The Irish Accounting Review*, *14* (2), 61 – 89.