

A Critical Study Of Corporate Risk Management Committee Impact On Firm Performance

Ugwu, Ikechukwu Virginus Ph.D ¹; Ekwochi, Eucharia Adaeze Ph.D ²; Ogbu, Cyril Gabriel, Ph.D

1. Department of Accountancy Chukwuemeka Odumegwu Ojukwu University (COOU),
Igbariam Anambra State, Nigeria, Gmail: virginusugwu418@gmail.com

2. Department of Management Sciences, Enugu State University of Sciences and Technology, Agbani.

3. Department of Business Administration, Caritas University, Amorji Nike, Enugu.

Abstract: *This study determined the effect of corporate risk management committee on performance of firms in Nigeria. Other specific objectives are to determine how: corporate risk committee size CRCS; corporate risk committee diligence CRCD; corporate risk committee expertise CRCE; corporate risk committee composition CRCC impacts on the financial performance ROE of firms in Nigeria. Population of the study comprised all the 18 listed banks in Nigeria as found in Nigeria Stock Exchange, 2020. But the study sample size comprised five banks that have consistently been in banking operations and have the required size of shareholders wealth as reported by NDIC annual report from (2009-2019) and have mandatorily been reporting risk management issues to date. Data collection was based on content analysis using systematic classification, coding, identifying items and subject interpretation of text data. The analytical techniques applied are: Descriptive Statistics; Pearson Correlation; Hausmann Test (Random and Fixed Effect) Regression Model; Variance Inflation Factor (VIF) to check Multicollinearity of the independent variables, Heteroscedasticity Test and Ramsey RESET Test. The results show that corporate risk management committee impacts ROE of the sampled firms especially banks. Out of the four explanatory variables applied in the study; CRCD and CRCC are positively significant; while CRCE is positively insignificant and CRCS is insignificant on ROE. The study recommends that there is a need for firms, especially banks to establishing risk management committee, considering CRCD and CRCC as they impact on financial performance. This study contributes to knowledge with the enormous rich literature for academia and also with the new model applied in the study.*

Keywords: Corporate Risk Committee, Size, Diligence, Expert, Composition, risk Management, Firm Performance

Introduction

Recently, wide corporate risk management issues have been viewed as a paradigm shift from the former and narrow focused risk management. This has shifted from the earlier traditional approach to a more comprehensive and holistic approach in this regard as in (Bessley, Pagach, & Warr, 2008; Gordon, Loeb & Tseng, 2009); the subject matter has been seen as a strategy that has attempted to holistically evaluate and manage the portfolios of risks confronting corporations (Gordon, Loeb & Tseng, 2009; Pagach & Warr, 2010; Bromiley, McShane, Nair & Rustanbekov, 2014; Soliman & Adam, 2017; Zuo, Isa & Rahman, 2017; Ugwu & Nwakoby, 2020; Ugwu & Nwoko, 2020). Corporate risk management has been defined by COSO, (2004) as a process, which is ongoing and flowing through an entity, and is effected by people at every level of an organization, applied in strategy setting, applied across the enterprise, at every level and unit, and includes taking an entity-level portfolio view of risk, designed to identify potential events that, if they occur, will affect the entity and manage risk within its risk appetite, able to provide reasonable assurance to an entity's management and board of directors, which is geared to the achievement of objectives in one or more separate but overlapping categories. Risk management committee is then seen as a framework that integrates risk management, not just to fulfill local obligations or financial risk assessment but also to apply adequate risk awareness for risk-based priority setting (Kopia, Just, Geldmacher & Bubian, 2017). For an entity to cope with the complex internal and external challenges of the modern business (Altanashat, Dubai & Albety, 2019) indicted that a firm's investment is no longer a matter of choice, but of necessity in proper risk management. Lukianchuk (2015) saw risk management as one of the main key features that enable firms to be successful and enables them to view all risks that are challenging the organization by setting a common risk plan and focusing on them. Some authors have presumed a methodology that could lower an entity's overall risk of failure and increase the performance and value a firm such as in (Gordon, Loeb & Tseng, 2009, Hoyi & Liebenberg, 2011; Paape & Spekie, 2012; Florio & Leoni, 2017; Ugwu, 2020).

It is pertinent that risk management cannot be effectively employed unless other corporate governance is efficiently engrossed in the activities (COSO, 2004; Sobel & Reading, 2004). Mikes and Kaplain (2014) states that effectiveness of risk management ultimately depends not only on the guiding framework but more so on the body that set up, coordinate, and contribute to risk management processes. Some of the bodies are board of directors that invest more time and focus on risk management (PwC, 2010); Karatzias (2011) that corporate governance is a function of the board of directors; Demidenko and McNutt (2010), stated that risk management is a key component of corporate governance; Quon, Zenghal and Maingot (2012) said that increased cases of corporate failures are caused by poor risk management and corporate governance; Ramke and Ahmad (2015) who suggest that risk management is designed to increase the ability of the board of directors to oversee the risks bedeviling an entity and risk

management committees has effectively been playing their role in the control, detection and prevention of risk (Abdullah, Shukor, & Rahmat, 2017; Abdullah & Said, 2019; Ugwu & Nwoko, 2020).

Prior literatures have proven that poor risk management by corporate governance has been part of the reason behind the series of company scandals and corporate failures (Quon, Zenghal & Maingot, 2012) and some of these failures are inability to effectively implement risk management programs (Quon, Zenghal & Maingot, 2012). But somehow, Makhoulouf, Laili, Basah and Ramli (2017) found that independent directors and board ownership have positively affected firm performance; Kommunuri, Jandog and Vesty (2014) found that firm performance are significantly and positively related to firms that has effective audit and risk management committees.

However, several literatures have dwelt with the impact and relationship of corporate risk management adoption and implementation on firm performances as in (Gordon, Loeb & Tseng, 2009; Mikes & Kaplan, 2014; Kopia, Just, Gelmacher & Bubian, 2017; Lukianchuk, 2015, Anton, 2018; Florio & Leoni, 2017; Husaini & Saiful, 2017; Ran, 2018; Lai & Samad, 2011; Ramkee & Ahamd, 2015; Udoka & Orok 2017; Ugwu & Nwakoby, 2020; Ugwu & Nwoko, 2020; Ugwu, 2020). These observations have found that some studies have focused on the characteristics of firms adopting risk management such as in (Pagachi & Warr, 2007; Gordon, Loeb & Tseng, 2009; Mikes & Kaplan, 2014; Yazid, Hassan, Mahmood, Rashid, Salleh, Ghazali & Mahmood, 2018); while some focused on the determinants of corporate risk management implementation such as in (Lai & Samad, 2011; Paape & Spekie, 2012; Onder & Ergin, 2012, Dabari & Saidin, 2015; Kakanda, Slim & Chandren, 2018); some other studies examined the effect of corporate risk management on firm performance as in (Lukianchuk, 2015; Husaini & Saiful, 2017; Rao, 2018; Anton, 2018; Ugwu & Nwakoby). But none of these literatures that are examined took time to critically examine the work of corporate risk management committees on the performance of corporations. Thus this present study is set to critically examine and find out the relationship of risk management committees on corporate risk management and performance of firms in Nigeria.

The main focus of this study is to critically examine determine the effect of corporate risk management committee on performance of firms in Nigeria. Other specific objectives are to critically:

1. Determine how corporate risk committee size impacts on the financial performance of firms in Nigeria;
2. Determine how corporate risk committee diligence impacts on the financial performance of firms in Nigeria;
3. Determine how corporate risk committee expertise impacts on the financial performance of firms in Nigeria;
4. Determine how corporate risk committee composition impacts on the financial performance of firms in Nigeria.

The research questions are;

1. How does corporate risk committee size impacts on the financial performance of firms in Nigeria?
2. How does corporate risk committees diligence impacts on the financial performance of firms in Nigeria?
3. How does corporate risk committees expertise impacts on financial performance of firms in Nigeria?
4. How does corporate risk committees composition impacts on the financial performance of firms in Nigeria?

The posited hypotheses are:

HO₁: Corporate risk committee size is not significant on the financial performance of firms in Nigeria.

HO₂: Corporate risk committee diligence is not significant on the financial performance of firms in Nigeria.

HO₃: Corporate risk committee expertise is not significant on financial performance of firms in Nigeria.

HO₄: Corporate risk committee composition is not significant on financial performance of firms in Nigeria.

Conceptual Review

Corporate Risk Management

A proactive role definition of corporate risk management was given by Liebenberg and Hoyle (2003) as that which enables firms to benefit from an integrated approach of managing risk that shifts the focus of the risk management function from primarily defensive to increasingly offensive and strategic. Other definitions relating to this subject matter by some literatures are found in (Gordon, Loeb and Tseng, 2009, Pagach and Warr, 2007; Beasley et al, 2005; Quon, Zenghal and Maingot, 2013; Alawattagana, 2018, Zou, Isa and Rahman, 2017; Teoh, Lee and Muthuveloo, 2017; Altanashat, Dubai and Alhety, 2019; Ramlee and Ahmad, 2015). These definitions were based in the ideas of Committee for Sponsoring Organizations of the Tradeway Commission, (COSO, 2004) that defined it as “A process, affected by an entity’s board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives. Risk management measures are non-negotiable and inevitable by firms (Altanashat, Dubai & Alhety, 2019). Prior studies such as (Anton, 2018; Abdullah, Janor & Hamid, 2017; Pagach & Warr, 2010; Rao, 2018; Husaini & Saiful, 2017; Florio & Leoni, 2017; Onder & Ergin (2012; Nasir, 2018, Pagach & Warr, 2007, Ghosh, 2013) have measured risk management adopting several methodologies such as applications of dummy variable to assign when it is perceived that a firm have adopted or implemented corporate risk management otherwise, and the implementation, adoption or presence of corporate risk management is indicated by searching for key-terms like, enterprise risk management, “strategic risk management”, “corporate risk management” “consolidated risk management”, “holistic risk management”, integrated risk management”, risk management committee”, “risk committee”, and “chief risk officer. Again there are other group of researchers like (Alawattagana, 2018; Teoh, Lee and Muthuveloo, 2017; Altanashat, Dubai and

Alhety, 2019) who had measured risk management by using questionnaire based proxy on the eight (8) ERM functions such as (Internal Environment, Objective Setting, Even Identification, Risk Assessment, Risk Response, Control Activities, Information & Communication, and Monitoring) as found in (COSO, 2004) integrated framework. Further, some works such as (Zou, Isa & Rahman, 2017; Ramlee & Ahmad, 2015; Gordon, Loeb & Tseng, 2009; Tseng, 2007) measured it using (COSO, 2004) basic objectives of risk management which include strategic, operation, reporting and compliance. But this study will measure corporate risk management impact on firm performance using corporate risk committee proxy as committee size, committee diligence, committee expertise and committee composition.

Corporate Risk Committee

The Corporate Governance Code (2018) in Nigeria provides that the risk management committees shall meet at least twice every financial year. This code unlike the 2016 Code, delves deeper into the extent of its functions as regard information technology. Within this provisions, the committee is required to review and recommend for approval of the Board, at least annually, the company's information technology (IT) data governance framework which may include the following: development of IT strategy and policy; proactive monitoring and management of cyber threats and attacks as well as adverse social media incidents; management of risks relating to third-party and outsourced IT service providers; assessment of value delivered to the company through investments in IT; and periodic independent assurance on the effectiveness of the company's IT arrangements. The Board is also recommended to establish a sound framework for managing risks and ensuring effective internal control. The risk management framework is to be formally approved by the Board, communicated in simple and clear language to all employees and integrated into the day-to-day operations of the business. Company practices regarding risk management issues in board of directors meetings vary widely, depending largely upon the size of the company, the sectors in which it operate, the current economic and financial environment, and previous experience with risk management shortcomings. Some research shows that the Risk Management Committees have effectively been playing their role in the control, detection and prevention of risk especially in terms of financial risk (Abdullah, Shukor, & Rahmat, 2017; Abdullah & Said, 2019). The existence of stand-alone risk management committees, are also positively related to risk management disclosure (Abdullah et al., 2017) and the non-existence of any financial crime incidence (Abdullah & Said, 2019). Some studies show evidence on the relationship between Risk Management Committees and audit outcomes (Ahmed & Che-Ahmad, 2016; Ali, Besar, & Mastuki, 2017; Hines, Masli, Mauldin, & Peters, 2015). Several literature on risk management committees have been carried out more in the banking sector as in (Aebi, Sabato, & Schmid, 2012; Hines & Peters, 2015). Brown, Steen, and Foreman (2009) shows that due to the increase in business risk complexity occurs in the non-financial industry, the need arises for the establishment of risk management committees. Risk management committee, are expected to be filled with more skillful members that have in-depth knowledge of risk management (Choi, 2013; Fraser & Henry, 2007). Further, companies have risk management committees can increase board risk monitoring, and can dedicate its resources to evaluate the company's risk appetite, risk profile, and validate the company's internal controls (Moore & Brauneis, 2008). Subramaniam, McManus, and Zhang (2009) shows that risk management committee is mostly formed in companies with a high level of financial reporting risk to assist in mitigating the existing risk within the company. Risk committees components are mostly considered in terms of size, expert, composition and diligence and these are considered to affect the management of the company risk profile.

Corporate Risk Committee Size

Corporate Risk Committee size is the number of directors appointed to serve on the risk management committee in a particular point in time. This is to adhere to the objective of code of conduct and provisions and recommendation of the Nigerian revised corporate governance code of 2011, which stipulates that the board of directors should establish a risk management committee, though it did not specify the number that is sizeable. Risk management committee size can be used to proxy a company's willingness to invest firm's resources in order to increase corporate risk mitigation stature and influence of the committee (Khalik & Md. Sum, 2019). In the same vein, Ike and Ghazali (2012) are of the view that risk committee should be supported with adequate resources and authority. Also, Chatterjee and Bose (2007), board of directors are to establish a stand-alone committee that squarely concentrates on risk management function. Risk committee size presents a good measure of board effectiveness. Researchers like Rashid, Ibrahim and Othman (2012) said that large committee size would facilitate more skills, vast experiences and diverse knowledge in handling the enterprise wide-away of risks (Kalbers & Fogarty, 1993; Bedard, Chtourou & Courteau, 2004). More so, Dalton, Daily, Johnson & Ellstrand (1999) established that large boards offer better advice to management. While Pearce and Zahra (1992) are of the opinions that a larger board size enhances a company's ability to understand and respond to diverse stakeholders and are tougher to manipulate as compared to boards with small size. In other words, when the risk management committee is composed of large number of membership, it will afford the committee the more opportunity for oversight function alongside various skills and expertise selected into the large sized committee. However some views are that smaller board size function better by facilitating shorter communication distance among the small members and ultimately this increase efficiency of the board in decision making (Sanda, Garba & Milailo, 2011); Abdullah and Ismail (2015) suggest that smaller committee size are more effective in monitoring managerial practices; while larger board sizes are more difficult to coordinate and may become problematic with communication and organization and may develop factions which might mare corporate objective. Ojeka, Adegbeye, Alabi, Afolabi and Iyoba (2019) discovered that the chief risk officers role in management is very minimal but promotes the market evaluation but does not have any associating performance benefit. Khalik and Md. Sam

(2019) found that risk management committee, who acted like a representative on the board of directors, provide better oversight on risk management thereof increase firm performance. Kakanda et al. (2017) established that large number of directors in risk management committee impairs company's performance. Husaini and Saiful (2017) found that greater number of directors will ensure more effective risk monitoring and supervision that will increase the value of the company. However, Dalton et al. (1999) argue that having a large number of committee members may result in a lack of focus, and the committee members might tend to be less active. Sanda, Garba, and Mikailu (2011), found that firm performance is positively correlated with small boards as opposed to large boards.

Risk Committee Diligence

Elamer and Benyazid, (2018) view risk committee diligence as a measure of how often the directors that are appointed to serve on the risk management committee assemble to discuss and address relevant issues concerning the firms, especially as it regards risks. The major aim of establishing risk management committee is to ensure that risks are assessed, evaluated, managed and communicated on a regular basis with diligently and to avoid delay in risk management process. The diligence aspect of board effectiveness is the determination, conscientious and perseverance depicted towards their assignment, which is measured by the number of meetings attended. In this, Abdullah and Ismail (2015); Chou and Buchdadi (2017) suggested that the more the risk management committee who acts on behalf of the principal conducts meetings, the more they will ensure diligence. Abbott and Parker (2000), also stated that the more committee diligence are better they enhance relevance and faithful disclosure of conflicts and cogent issues that are beyond the risk appetite of the shareholders. Within the Agency theory it predicts that regular meetings of committees are important because infrequency can cause ineffectiveness (Abbott & Parker, 2000); while various issues of a firm are discussed during a board meeting and the more frequent of board meetings the more favorable a firm performance becomes (Kakanda, Slim & Chandren, 2018; Khan & Javid, 2011) and this follows that the risk management committee ensure checks and balances on management. Regular meetings of the board is indispensable because it is invariably the platform, where they share knowledge, information and produce a pool of expertise to enhance high quality information (Allegrial & Greco, 2013 and Saleb, Iskandar & Rahmat 2007).

Abdullah and Ismail (2015) posit that risk committee can embolden their competence by conducting more meetings and frequency of meetings held in a year also indicates the level of effort being put-in to accomplish the tasks and responsibilities (Sori, Ramadili & Karbhari, 2009). Ntim and Osei (2011) found that frequency of meeting of the board has positive relationship with firm value. Abbott and Parker (2000) found that the greater the number of meetings, the less the chance there is for fraudulent reporting and activities which will translate to greater firm performance. Battaglia, Gallo and Graziano (2014); Battaglia and Gallo (2015) found that risk management committee meetings is positively associate with firm performance. Kakanda et al. (2018) said that more meetings mean more commitment due course of oversight and will lead to increase in value creation. Ferrero, Izqulendo and Terres (2012) found that higher frequency of board meetings can only be effective in times of crisis and negatively impacts the performance of the firm during expansionary times. Tong, Junarsin and Davidson (2013) assert that frequent meetings is positively associated to firm performance, especially, with lack of experiences in management and supervising. However, Aebi, Sabato and Schmid (2012); Elamer and Benyazid (2018) found frequency of meetings of risk management committee to be inversely associated with firm performance. Chou and Buchdadi (2017) found risk committee meetings to have negative association on Return on Assets of banks in Indonesia; while Hoque, Islam, and Azam (2013); found no association.

Risk Committee Composition

Risk committee composition is the proportion of non-executive or outside directors to the totality of the directors appointed and are serving on the risk management committee of the enterprise. Corporate Governance code of 2011 requires that board committees of publicly trading companies in Nigeria compose of a majority of non-executive directors, and also be chaired by a non-executive director for the independence of the board. Agency theory maintains that the existence of independent directors enhances and improves corporate governance mechanisms and firm's performance at large, (Fama & Jensen, 1983); Dionne & Triki, 2005; Tao & Hutchinson, 2012). Again, Dionne and Triki (2005) affirm that since the outside directors do not have their careers tied to the company, they can make decisions in a more efficient way without fear of their career being jeopardized. Yeh, Chung and Liu (2011) asserted that independent directors can withstand any pressure from management and obtain all necessary information for efficient risk mitigation and control, (Protiviti, 2011). Prior works like, Yeh, Chung and Liu (2011); Olusola and Abiodun (2013) and Coles, Danielb and Naveen (2012) found that risk committee composition has positive association with firm performance. Ng, Chong and Ismail (2012) found that risk management composition has inverse association with underwriting risk as insurance companies in Malaysia. Makhoulouf, Laili, Basah and Ramli (2017) posited that existence of effective board of directors is important for proper functioning and enhancement of firm performance. Husaini and Saiful (2017) finds that high proportion of independent directors on the board will increase the value of the firm. Kakanda, Salim and Chandren (2017) found that the more the number of independent directors on risk management committee the higher the performance of firms. Kallamu (2015) found risk management committee independence is inversely affecting accounting performance reporting but has positive effect on market returns. Chou and Buchdadi (2017) found that independent board member has a positive impact on net interest margin among the big scale bank. Elamer and Benyazid (2018) show that independent director in risk committee has negative relationship with financial performance of UK firms; while the work of Cavaci, Crifo, Reberieux and Roudaut (2017) reported that independent board is negatively correlated with operating performance.

Risk Committee Expertise

Risk committee expertise is a phrase that measures the proceedings of directors that serve on the risk management committee that have according training (education). Directors with accounting or finance knowledge have added advantage to understanding risks in their various disguise. Kallama (2015) said that competence of committee members in accounting will determine their ability to detect and manage risk of a company for enhanced performance. And more argument exists in literature that risk management committee with expert directors will perform better in risk monitoring and risk management because of their background and experience (Yatim, 2009; Akhtaruddin & Haron, 2010; Ismail & Rahman, 2011). Knowledge of risk and its forms is a powerful tool here and director with such tool cannot be compared with a director without it in risk identification. Furthermore, Pettigrew and McNulty (1995) is of the view that directors' expertise and knowledge is the only key to effective monitoring of strategic decisions and operations of the management for improved performance of the firm. Md Yusof (2010) provide that board committees with high financial expertise improves financial reporting quality. In earlier study by Diome and Triki (2005), they find that the level of financial expertise of directors has significant relationship with their ability to manage a firm's risk. Sequel to this background, it is expected that the presence of director with accounting or finance expertise will help boost the performance of the enterprise. However, directors' financial expertise is measured as the proportion of directors with financial or accounting expert to the total directors. Therefore, this present study will measure directors' expertise in the same manner. Yatim (2009); Kallamu (2018) explained that risk management committee with expert directors will be better positioned to monitor, assess, identify, detect and manage the risk and risk policies of firms because of their academic background or experience, and Roberts, McNulty and Stiles (2005) suggested that qualification boost the committee's effectiveness and efficiency in operation. Akhtanddin and Haron (2010) noted that directors' expertise will reduce information asymmetry. Diome and Triki (2003) show significant positive relationship between the level of directors' financial expertise serving on audit committee and ability to manage the risk of the firm. Md Yusof (2010) indicates that quality financial reporting can be enhanced when there are greater proportions of directors with financial expertise in the committee. Gendron and Bedard (2006) suggested that managers and external auditors mostly take into consideration, the committee member's expertise as they measure the effectiveness of audit and risk management committee. Husaini and Saiful (2017) found that audit committee expertise has inverse and insignificant association with the value of firms in Indonesian market.

Firm Financial Performance and Risk Management

Matar and Eneizan (2018) said that financial performance tends to show the performance of executive leadership of a company. Naz, Ijaz and Naqvi (2016) said that financial performance is a financial action used in order to generate higher sales, profitability and worth of a business entity for its shareholders through managing its current and non-current assets, financing, equity, revenues and expenses. Omondi and Muturi (2013) declared that financial performance can be measured by growth in profitability, production capacity, sales growth and utilization of the capital and financial resources. Naz, Ijaz and Naqvi (2016) indicated that to evaluate financial performance is by the use of ratio or financial analysis, which shows the relationship between one quantity of performance indicator over another and are expressed mathematically. Prior works on financial performance indicators for assessment of firm risk management on Return on Assets (ROA) as seen in the work of (Ramlee & Ahmad, 2015); Pagech & Warr, 2010, Alawattagama, 2018), Tobin's Q used by (Ramlee and Ahmad, 2015; Anton, 2018; Kakanda, Salim & Chandren, 2017; Jafari, Chadegani & Bibiari, 2011; Husaini & Saiful, 2017). Return on Equity (ROE) is calculated as net income divided by shareholders equity. Gordon et al. (2009) found that risk management affects firm performance but its contingent upon the appropriate match between firm risk management and some firm attributes like environmental uncertainty, industry competition, firm size, firm complexity and board monitoring. Lai and Samad (2010) found that risk management implementation reduce cost of financial distress, decrease to a great length the cost of external financing, improve the firms credit rating, obtain reward from equity market, reduce drastically information asymmetries, and reduce agency problem and improve firm performance. Anton (2018) found that adoption of risk management has higher impact on firms listed in Romanian stock market. Husaini and Saiful (2017) suggest that risk management would increase firm performance only when it is properly implemented. Rao (2017) found that shareholders value improves if the board of directors could invest in corporate governance and on risk management. Sanusi, Motjaba-Nia, Roosle, Sari and Harjitok (2017) said risk management committee will increase the profitability of the firm. .Kakanda et al. (2017) found that corporate risk management has significant effect on market performance of financial institutions in Nigeria; while Ramlee and Ahmad (2015) found that having a risk management committee at board-level does not make a firm to perform better than a firm without risk management committee at board-level. Pagach and Warr (2010) find that firms that adoption of risk management experience little impact on firm performance. Alawattagama (2017) found that risk management does not influence performance of firm.

Theoretical Review

Legitimacy Theory

Legitimacy theory is established on the ground that the activity of an organization is appropriate, right and good in line with the socially build system of norms, values and beliefs of the society (Suchman, 1995). Deegan, Rankin and Voght (2000) see legitimacy theory as a function of a social contract between an organization and the society. Social contract is impliedly the varieties of expectations the society has about how an organization should conduct its operations (Deegan, Rankin & Tobin, 2002). The Theory's target is to manage the relationships among the shareholders that are of critical importance to the existence and

continuity of the enterprise. The theory's legitimacy is assumed problematic because the societies' expectations changes over time and uncertain (Ashforth and Gibbs, 1990), said the organization must in compliance with the societal change of expectation, change in order to keep abreast with their legitimacy. Dowling and Pfeffer (1975) indicated that legitimacy theory is a condition or status which exists when an entity's value system is congruent with the value system of the larger society of which the entity is a part. Also, Perrow (1970) suggest that legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, value and beliefs, it became paramount that every entity, in order to align with the expectation of the society now, ought to adopt the firms risk management to boast their legitimacy stand. Sethi (1979) maintains that actual or potential disparity exists between the organization and social value, and organizational legitimacy will be at jeopardy, giving rise to legitimacy gap.

Empirical Reviews

Salaudeen, Atoyebi and Oyegbile (2018) evaluated the relationship between enterprise risk management and performance of consumer goods companies listed on the stock exchange for six years (2010 to 2015). They adopted ex-post facto research design and 20 firms that have no missing values and analyzed it with descriptive statistics, correlation Variance Inflation Factor, heteroscedasticity, normality tests, and generalized regression analysis. They found that the existence of risk management committee, financial expertise on the board, size of adult committee, and board size have significant impact while existence of chief risk officer exhibits insignificant impact on performance. The study shows that there exists a significant positive relationship between risk management committee and firm performance.

Zungu, Sibanda and Rajaram (2018) conducted a study on the effect of risk management on firm value from the perspective of South African mining firms from 2004 to 2015. The study applied Generalized Method of Moments (GMM), Pooled Mean Group (PMG), Mean Group (MG) and also the Dynamic Fixed Effect (DFE) estimations were applied in data analysis, which proved that improved that risk management quality mitigates the level of risks faced by companies, which ultimately reduces firm value.

Sani, Latif and Al-dhamari (2018) examine the impact of risk management committee on real earnings management through sales manipulation on Nigeria context from 2012 to 2016. They sampled all the listed companies in Nigeria in exclusion of financial service firms, alternative securities exchange market (ASEM), and all delisted from before they arrive at the sample of 80 firms for five years using Thompson Reuters database. The study applied descriptive statistics, post regression tests that involves multicollinearity and heteroscedasticity, panel correction standard error regression (PCSE) analysis. They found that risk management committee and independent directors reduce the management ability to manipulate the reported earnings.

Kakanda, Slim and Chandren (2018) concluded an investigation into risk management committee characteristics and market performance of financial service firms in Nigeria using 45 banks and non-bank financial institutions in Nigeria for the periods of 2012 to 2016. The work was analyzed using descriptive statistics, regression analysis, Multicollinearity, VIF test and heteroscedasticity test with Panel Corrected Standard Errors (PCSEs) regression. The discovered that risk management committee composition and risk management committee meetings have positive and significant effect on firm performance whereas risk management committee size has inverse and significant effect on firm performance.

Soliman and Adam (2017) investigate risk management and firm performance using the sample of ten commercial bank listed on the Nigerian stock exchange. Analyses applied Test for heteroscedasticity, autocorrelation and ordinary least square regression the result found a positive relationship between firms Risk Management implementation and performance in the Nigerian banking sector.

Udoka and Orok (2017) investigate risk management practice by Deposit Money Bank in Nigeria and collected data from the 20 commercial banks; sample using 374 questionnaires. Ordinary least square regression analysis was employed and the result show that the challenges faced by practicing banks significantly influences the level of adoption of risk management and further found that government policies on Enterprise risk management has a direct significant relationship. Furthermore, the adoption of Enterprise risk management practice has positively impacted with the performance of the Nigeria bank.

Dabari and Saidin (2016) sampled (21) commercial banks in Nigeria on implementation of bank risk management using survey research design with questionnaire administered to 722 respondents. The study test applied multicollinearity and logistic regression. The result found that most of the banks have completed the implementation of risk management and the variables have significant effect on banks performance.

Abotsi, Dake and Agyepong (2014) examined the factors influencing risk management decision of small and medium scale enterprise in Ghana with a stratified random sampling technique, they selected 447 SMEs and the survey research design employed questionnaire. The variables which represent factors that influence risk management decision were proxy with business related factors, government policies tax, economic factors and business characteristics. Analyses used Logit regression analysis and the results indicate that demographic factors have positive association on the likelihood that managers will take risk management decision. Business related factors have statistical significant positive effect on risk management decision making, emotional related factors have positive and significant effect on risk management decision making, but government and task policies have inverse effect on risk management decision making of managers.

Ugwuanyi and Imo (2012) evaluated the enterprise risk management and performance of listed Nigeria's brewery industry using a cross sectional survey design, on a sample of three breweries. They applied Yaro Yamane formula to arrive at a sample of 375 study elements using questionnaires. Analyses applied Z-test and Ordinary Least Square (OLS) was deployed in the analysis of

data and the result supports that only one variable board size has a significant positive impact on financial performance and busy directors lacked the required time to enhance performance. Finally, the findings show that Board meetings and independence were insignificantly associated with return on assets.

Altanashat, Dubai and Albety (2019) studied impact of corporate risk management on the institutional performance in Jordanian public shareholding companies using integrated framework of COSO (2004). The research design applied 313 questionnaires eight objectives/independent variable. The data were analyzed with Structural Equation Modeling Tool (Smart-PLS) and result found that all the independent variables (Internal Environment, Event Identification, Risk Assessment, Risk Response, Control Activities, Information and Communication and Monitoring) are statistically significant effect on Jordan institutional performance, except for objective setting.

Rao (2018) investigated the joint impact of risk management and corporate governance on the value of firms operating within Gulf Cooperation Council (GCC). They measured risk management with dummy variable, and proxy corporate governance using board size and existence of audit committee using a sample of 160 financial institutions. A panel data collected from 2004 to 2011 from the Bank Scope database and the analyses applied descriptive statistics, correlation analysis, OLS regression analysis for model 1 and 3 OLS and International Variable regression technique for model 2, to test the simultaneous impact of the independent variables. Results are that most of the coefficients are significant in 3SLS-IV model in comparison with OLS model. Finally, there is a simultaneous relationship in the adoption of risk management and corporate governance by the Board of Directors, implying that company risk management and corporate governance are jointly undertaken by firms.

Elamer and Benyazid (2018) examine the impact of risk committee characteristic on financial performance of UK financial institutions from 2010 to 2014 on a sample of 115 financial institutions. They measured independent variable risk committee with risk committee size, percentage of independent directors and frequency of meeting of risk committee and the dependent variable with Return on Equity (ROE) and Return on Assets (ROA). The analyses used descriptive statistics, correlation and, ordinary least square (OLS) regression to show the impact of risk committee characteristics on performance. The result indicates that risk committee characteristics includes existence size, independence, frequency of meeting is inversely affecting financial performance of financial institutions in UK. Finally, they discovered that firms that have no risk committee performed considerably well than the firms that have risk committee.

Alawattagama (2018) investigated the effect of enterprise risk management on firm performance of seven diversified industry in Sri Lanka using Colombo stock exchange and primary data answered on Likert Scale applied in eight risk management functions, (internal environment (IE), objective setting (OS), even identification (EI), risk assessment (RA), risk response (RR), control activities (CA), information and communication (IC) and monitoring (M). The analysis involved descriptive statistics, Pearson correlation and regression. Findings were that internal environment, risk-aligned objective setting, event identifications and risk response have a positive and insignificant effect. Again, risk assessment and control activities have negative and insignificant effect; while information and communication and monitoring functions have a significant impact and monitoring shows an inverse effect on performance.

Chou and Buchdadi (2017) review the association between independent board, audit committee, risk committee, the meeting attendance level and its impact on the performance of banks listed on the Indonesian stock exchange from 2013 to 2015 with a sample of thirty-eight banks grouped big scale banks and small banks. The independent variables of the study include independent board, board meetings, board executive meeting attendance, audit committee, audit committee meeting, audit committee meeting attendance, risk committee, risk committee meeting, risk committee meeting attendance, non-performing loan and operational expenses ratio. They measured the dependent variable using return on assets (ROA), net interest margin (NIM) and Tobin's Q and was analyzed using descriptive statistics and two stage least square (2SLS). They found that independent board has a positive impact on net interest margin among the big scale bank. The independent board of directors of the small scale bank has positive impact on the market value. Meeting attendance has critical role on the accounting based profitability of the bank.

Husaini and Saiful (2017) examine the effect of risk management and corporate governance on firm value listed on Indonesian public listed companies on sampled 110 companies 2010 to 2013 by applying single-stage cluster sampling technique and measured corporate governance with boards/directors size, audit committee independent, board independent, audit committee size, audit committee meeting and managerial ownership. The analysis used descriptive statistics, correlation and panel regression and find that implementation of ERM has positive effect; size of the board of directors, independency of the directors increases firm value but show that managerial ownership has inverse effect on firm value.

Florio and Leoni (2017) investigated enterprise risk management and firm performance from Italian listed firms, 2011 to 2013 with 462 firm-year observation. ERM was proxy by Measure of whether the company has an ICR officer or a Chief Risk Officer (CRO), whether it has an ICR committee or a risk committee (Risk Committee), and the reporting frequency between risk committee or ICR committee and the board of directors (RC to BOD). The study used content analysis and regression estimate and find that firms with advanced levels of ERM implementation present higher performance, both as financial performance and market evaluation and that continuous interactions between large-sample archive, surveys and in-depth case studies would be beneficial to improve the knowledge on company behavior towards ERM.

Kallamu (2015) assessed risk management committee attributes and firm performance on a sample of thirty-seven (37) listed finance companies on the Bursa Malaysia stock exchange from 2007 to 2011. Dependent variable (firm performance) was proxy

with return on assets and Tobin's Q, the independent variable was proxy with committee composition, independent committee chair, expertise of directors, prior experience, executive membership, and interlock of directors on subcommittees. Analyses included Descriptive statistics, multicollinearity, heteroscedasticity tests, and multivariate regression. The results indicate that independent directors in the committee have positive effect on Tobin's Q and inverse effect on ROA of the firms. Prior experience of the executives has positive effect on ROA. Their result supports agency theory which suggests that independent directors are in a better position to monitor the executive and protect the interest of the various stakeholders.

Abdullah and Ismail (2015) investigate the relationship between hedging activities information and risk management committee effectiveness on companies listed on Bursa Malaysia stock exchange from annual reports of 117 large companies listed on the stock exchange. The dependent variable of the study (hedging activities information was measured with a disclosure index which is based on a 32 item template that comprises mandatory and discretionary disclosure scores with two independent variables; the existence of risk management committee and the effectiveness of risk management committee. Existence of risk management committee was measured using dummy variable while the risk committee effectiveness was measured with risk management committee size, risk management committee independence, risk management committee diligence, gender diversity, and risk management committee trainings. Descriptive statistics and multiple regression analysis were used and they found that risk management has positive and insignificant effect on the extent of hedging activities information disclosure. But risk committee independence, and diligence have significant influence on the hedging activities of the firms sampled.

Ramlee and Ahmad (2015) studied effect of enterprise risk management on the performance of non-financial firms listed on the Bursa Malaysia. They measured ERM using strategy, operation, reporting and compliance but differently measured performance with ROA, ROE and Tobin's Q with total of 148 from 2009-2013: non-financial firms that have implemented ERM (consisting of 74 firms with board level Risk Management Committee and 74 firms; control firms without board-level Risk Management Control). The data were analyzed using descriptive statistics and random effect and fixed effect estimators and Hausman test. They found that Risk Management Committee at board level had no significant effect on firm performance, just as the two groups had no significant relationship on the firm performance and finally risk management committee at board-level does not make a firm to perform better than a firm without board-level RMC.

Larasati, Ratri, Nasih and Harymawan (2019) investigated Independent audit committee, risk management committee, and audit fees. They used 510 observations from 216 different companies for 2014–2016. The methodology applied ordinary least square analysis and found that participation of the independent commissioner as an audit committee member will strengthen the relationship between RMC and audit fee. Further result shows that the existence of a stand-alone risk management committee and a more independent commissioner sitting on the audit committee will demand higher audit coverage and thus it will increase the audit fee.

Tao and Hutchinson (2013) examines the role of compensation and risk committees in managing and monitoring the risk behaviour of Australian financial firms in the period leading up to the global financial crisis (2006-2008). 711 observations of financial sector firms demonstrate how the coordination of risk management and compensation committees reduces information asymmetry. Result shows that the composition of the risk and compensation committees is positively associated with risk, which, in turn, is associated with firm performance. More importantly, information asymmetry is reduced when a director is a member of both the risk and compensation committees which moderate the negative association between risk and firm performance for firms with high risk.

Subramaniam, McManus and Zhang (2009) examine corporate governance, firm characteristics and risk management committee formation in Australian companies. The design used data collected from the annual reports of the top 300 Australian Stock Exchange (ASX)-listed companies. The results, based on logistic regression analyses, indicate that RMCs tend to exist in companies with an independent board chairman and larger boards. Further, the results also indicate that in comparison to companies with a combined RMC and audit committee, those with a separate RMC are more likely to have larger boards, higher financial reporting risk and lower organisational complexity.

Zemzema and Kacemb (2014), investigate the relationship between risk management, corporate governance and performance in lending institutions. The empirical analyses came from a sample of 17 Tunisian lending institutions over the period 2002-2011 using an OLS regression. The study shows that board size affect performance significantly. Most importantly, the existence of a risk committee within the institution has a negative and significant effect on performance.

Methodology

The methodology is ex-post facto design to critically evaluate the impact of corporate risk management committee on firm performance, with focus on banking sector in Nigeria.

The study is mainly panel data which enabled a combination of cross sectional and time series data to allow the elimination of heterogeneity that is unobserved and might be present in our sample.

Population of the study comprised all the 18 listed banks in Nigeria as found in Nigeria Stock Exchange, 2020.

But the study sample size is, based on banks that have consistently been in banking operations and have the required size of shareholders wealth as reported by NDIC annual report of 2020 and have mandatorily been reporting risk management issues from 2009 to 2019.

Data collection was based on content analysis which is a systematic classification of process of coding and identifying items or patterns that involves subject interpretation of text data, (Hsieh & Sharon, 2005). Only five banks met the requirement as stated above for the consecutive ten year period. The data analytical techniques applied: Descriptive Statistics; Pearson Correlation; Hausmann Test selecting from Random and Fixed Effect Regression Models; Variance Inflation Factor (VIF) to check Multicollinearity of the independent variables and Heteroscedasticity Test and Ramsey RESET Test.

Variable Application

The Criterion variable Firm Performance is proxy by Return on Equity (ROE) and is measured as Net income divided by shareholders equity as measured in (Ramlee & Ahmed, 2015; Pagach & Warr, 2010).

The Explanatory variable Corporate Risk Committee, (CRC) is proxy by: Corporate Risk Committee Size (CRCZ) measured as total number of directors in risk management committee, (Rashid, Ibrahim & Othman, 2012); Corporate Risk Committee Diligence (CRCD) measured as number of meetings held and attended by the committee and committee member in a year (Allegrini & Greco, 2013; Saleh, Iskandar & Rahmat, 2007); Corporate Risk Committee Expertize (CRCE) measured as proportion of the directors with financial expert to the total directors in the committee, (Dionne & Triki, 2005); Corporate Risk Committee Composition (CRCC), measured as the percentage (%) of non-executive directors to total of directors in the management committee (Husiani & Saiful, 2017; Dionne & Triki, 2005).

$$ROE_{it} = \beta_0 + \beta_1 CRCS_{it} + \beta_2 CRCD_{it} + \beta_3 CRCE_{it} + \beta_4 CRCC_{it} + \mu_{it} \dots \dots \dots \text{Model } i$$

Variables defined as follows:

ROE is Return on Equity of the firm, *i* in period *t*; β_0 = Constant term (intercept) of the study model; β_1 - β_4 = Coefficients of Corporate Risk Committee; μ_{it} = Component of unobserved error term of the firms, *i* in period *t*; $CRCS_{it}$ = Corporate Risk Committee Size *i* in period *t*; $CRCD_{it}$ = Corporate Risk Committee Diligence *i* in period *t*; $CRCE_{it}$ = Corporate Risk Committee Expertise of the firms *i* in period *t*; $CRCC_{it}$ = Corporate Risk Committee Composition of the firms *i* in period *t*; while *t*=10 years

Data Presentation, Analysis Discussions and Summary of Findings

Table 1: Descriptive Statistics

Statistics	ROE	CRCD	CRCC	CRCE	CRCS
Mean	.1714941	1.154341	.7647673	.4351557	26.46311
Maximum	1.50111	9	1	1	31.35
Minimum	-2.21700	1	.3335665	0	22.62
Standard Dev.	.3295368	1.008906	.1817654	.2117233	2.514046
P50	.1460222	4	.7868839	.375	26.27
10	50	50	50	50	50

Source: Author’s Computation (2021)

The descriptive statistics value above shows: the mean of ROE as approximately 0.172%, maximum value of 1.5011, minimum value of -217, standard deviation value of 0.329; CRCD has mean value of 1.154, max. value of 9 meetings, min. value of one meetings, CRCC has mean value of 0.765, max. of one, min. of 0.334, standard deviation of 0.182; CRCE has mean 0.435, max. one, min. zero, standard deviation 0.211; CRCS has mean 26.463, max. size of 31, min. size of 23 approximately and standard deviation of 2.14.

Correlation Analysis

Table 2 Pearson Correlation Matrix

	ROE	CRCS	CRCD	CRCC	CRCE	Fs
ROE	1.000					
CRCS	-0.0966	1.0000				
CRCD	-0.0020	0.0243	1.0000			
CRCC	0.2029	-0.4024	0.2947	1.0000		
CRCE	0.0709	0.1714	-0.0085	-0.0912	1.0000	
Fs	-0.1970	0.1535	0.0605	-0.3755	0.0764	1.0000

Source: Author’s computation (2021)

The relationship test is presented in the correlation matrix table above. Careful observation of the table shows that none of the variables is highly correlated. There is only weak, inverse and negative relationship of each of the explanatory variables with the criterion variable and also all the explanatory variables with one another.

Multicollinearity Test

Table 3 Variance Inflation Factor (VIF)

Variables	VIF	1/VIF
CRCC	1.91	0.524244
CRCS	1.44	0.543663
CRCD	1.33	0.746547

CRCE	1.03	0.936383
Mean VIF	1.46	

Source: Author’s computation (2021)

The check for multicollinearity of the explanatory variables carried out shows that the data is free based on the rule of mean 10 for acceptable level, and above as having the presence of multicollinearity in the data.

Constant Variance of Error Term

The study posited variance of error term is expected to be consistent or possibly constant for each observation or a range of observation known as homoscedasticity. But whenever there occurs a change on the variance (heteroscedasticity), this tends to reduce the precision of the estimation that are in ordinary least square (OLS) linear regression. Thus, the study applied the Breusch-pagan/Cook-Walsberg test below to test for the heteroscedasticity of the residents.

Table 4: Heterscedasiticity Test

Breach-Pagan/cook-welsberg test for heteroskedasticity

Ho: Constant variance

Variables: fitted values of ROE

F(1,169)= 1.24

Prob > F = 0.2590

Source: Author’s computation (2021)

The rule of thumb for Heteroscedasticity test is that there is no heteroscedasticity if F-Statistics and observed R-square values are respectively greater than the critical values at 5% level. The figure above indicates that probability value of 0.26 is greater than the critical value of 0.05 level of significance. Thus, the study concludes that there is no heteroscedasticity and then a constant variance.

Regression Equation Specification Error Test (RESET)

This study employed Ramsey RESET test to check for the presence of non-linear independent variable combination as presented in the table below.

Table 5 Ramsey RESET Test

Ramsey RESET test using powers of the fitted values of the ROE

Ho: Model has no omitted variables

F(3, 157) = 21.27

Prob > F = 0.3000

Source: Author’s computation (2021)

The Ramsey RESET Test above shows the result of the test for mis-specification or omitted variables, with the probability value of 0.3 implying that the model has no omitted variables.

Panel Regression Analysis

Table 6 Panel Regression Analysis Model i

	<i>ROE Model (Fixed Effect Result)</i>	<i>ROE Model (Random Effect Result)</i>
<i>C</i>	<i>-0.49121 (0.67211)</i>	<i>0.13324 (0.2124)</i>
<i>CRCS</i>	<i>.04123 (0.08731)*</i>	<i>0.03115 (0.11211)</i>
<i>CRCD</i>	<i>-0.05841 (0.02673)**</i>	<i>-0.41003 (0.11124)</i>
<i>CRCC</i>	<i>0.55912 (0.02434)**</i>	<i>0.56036 (0.00511)**</i>
<i>CRCE</i>	<i>0.06737 (0.65134)</i>	<i>0.10314 (0.41851)</i>
<i>F-statistics</i>	<i>3.69432 (0.0011)***</i>	<i>21.23211 (0.00231)***</i>
<i>R-squared</i>	<i>0.15234</i>	<i>0.14211</i>
<i>Hausman Test</i>	<i>Prob>chi2=0.03001***</i>	

Notes: (i). *, **, ***statistical significant @ 10%, 5% and 1% level respectively.

(ii). () = P-values.

Source: Author's Computation, (2021)**Fixed and Random Effect Test**

The panel regression model i above housed the two models of fixed and random effect. The study infer that fixed effect panel regression estimation was based on the assumption of no correlation between the error term and all the explanatory variables of the study, on the other hand, random effect functions on the bases that the error term and the explanatory variables of the study are correlated. But considering separately the two models we find that Random Effects models has the capacity to correct for omitted variable bias, and the presence of autocorrelation and heteroskedasticity in pooled time series data. Thus choosing from the two panel regression estimator (fixed effect model and random effect model) the study conducted, a Hausman Test. It is a rule of the Hausman Test to assume that Random Effect result is preferred to fixed effect result on the null hypothesis.

The study decision applies as follows:

Ho - Random effect is more preferable than fixed effect, when prob. Value is less < 10 , then reject H_0 and accept H_1 Or

Hi - Fixed effect is more preferable than random effect, prob. Value is > 10 accept H_0 and reject H_1

The table above presents that probability of the Hausman Test in table 5 is 0.03, meaning that it is significant at 5% level, hence we reject null hypothesis and accept alternate hypothesis. And by the standard of Hausman Test, we select fixed panel regression model result which is more appealing for our discussion and drawing conclusion. Therefore, the fixed effect result is used for the test of hypotheses that relate to our study model.

Panel Regression Model Analysis

The result of the regression shows the F-statistics of both fixed and random model and their corresponding P-values were 3.694(0.001) and 21.232 (0.00231) respectively. Observing the two models the study can infer that both are statistically significant at 1% level. The R-squares (coefficient of determination) for both models were shown as 15% and 14% approximately for fixed effect model random effect model respectively. The R-square value of 0.15 for fixed effect and 0.14 for random effect shows that about 15% and 14% of both systematic variations in the criterion variable ROE in the pooled firms over this ten years period are jointly explained by the predictor variables; while 85% and 86% are the unexplained part of the criterion variable and this can be attributable to exclusion of very important independent variables that can explain the dependent variable but are outside the scope of this study.

Test of hypotheses

Here the study posited hypotheses are tested and discussed by providing a specific analysis for each of the independent variable and their relationship with the criterion variable and the prior studies on the subject matter.

HO₁: Corporate Risk Committee Size CRCS [**Model result = 0.04123 (0.08731)***] as an independent variable to corporate risk committee appears to have a positive and significant influence on ROE of firm performance at 10% level of significance. This indicates CRCS has positive effect on firm financial performance, as measured by ROE. The result implies that a unit increase on CRCS will impact ROE to increase by 0.04123, if all other variables are held constant. But checking the probability value of CRCS it is not significant on ROE at 10% level, because we set out decision criteria on accepting null hypothesis when the P-value $>$ the critical value at 0.05. Thus, we accept the null hypothesis and conclude that CRCS does not significantly affect the financial performance of firms especially banks in Nigeria. In other words, CRCS is not a major driver of firm financial performance, especially banks. This agrees with prior literature like (Elamer & Benyazid, 2018) but disagrees with (Kakanda et al., 2018; Ugwanyi & Imo, 2012; Husiani & Saiful, 2017) who found significant.

HO₂: Corporate Risk Committee Diligence CRCD [**Model result = -0.05841(0.02673)****] as an independent variable to corporate risk committee appears to have an inverse relationship on ROE of firm performance at 5% level of significance. Thus this might imply that the higher number of meetings by the CRCD could reduce the ROE of the pooled firms. From the table, the probability value $<$ critical value at 5% level of significance that the study reject the null hypothesis and accept alternate hypothesis and conclude that CRCD is significant and thus a major driver of financial performance of the polled firms in Nigeria. This finding disagrees with the finding of (Abdulah & Ismail, 2015) but agrees with Kakanda, et al., (2018).

HO₃: Corporate Risk Committee Expertise CRCE [**Model result = 0.06737(0.65134)**] as an independent variable to corporate risk committee appears to have a positive effect but not significant influence on ROE of firm performance. However, the corresponding probability statistics indicates that the degree of effect exercised by CRCE on the firms' financial performance is not significant. Therefore, the study reject alternate hypothesis and conclude that CRCE does not have significant effect and thus it is not a driver of financial performance of firms specifically banks in Nigeria. This result did not agree with prior works on this subject matter (Salaudeen et al., 2018; Kallamu, 2015) who found CRCE to be positive and significant.

HO₄: Corporate Risk Committee Composition CRCC [**Model result = 0.55912 (0.02434)****] as an independent variable to corporate risk committee appears to have a positive and significant influence on ROE of firm performance at 10% level of significance. In other words a unit reduction on the CRCC would cause an approximately (0.600) unit reduction on the mean of ROE if other variables are held constant. From the p-value which is lower than 0.05 critical value, it is significant and based on

that the study therefore, reject the null hypothesis and conclude that CRCC has significant impact on performance of firm. CRCC is thus a major driver of ROE of the pooled firms within the period of study especially banks in Nigeria. The result agrees with these prior researches (Kakanda et al., 2018; Tao & Hutchinson, 2013).

Corporate Risk Management Committee is Statistically Significant in ROE of Firms

This is observable by the R-square value of 0.15 (15%) of fixed effect of the systematic variations in the criterion variable ROE in the pooled firms over this ten years period that are jointly explained by the predictor variables. Prior researchers on the similar subject matter found risk management committee to have positive significant effect on firm performance as in (Salaudeen et al., 2018; Zungu et al., 2018; Sam et al., 2018; Floria & Leoni, 2017; Subramaniam et al., 2019), while these prior authors found it significant specifically on banking sector (Soliman & Adam, 2017; Udoka & Orok, 2017; Dzbori & Baidin, 2016), but the findings of the following authors disagrees (Chou & Buchdadi, 2017; Ramlee & Ahmad 2015; Larasati et al., 2019; Zemzema & Kacemb, 2014).

Summary of Findings, Conclusions, Recommendation and Contribution to Knowledge

Summary of Findings

This study found that corporate risk management committee is positively significant in ROE of firms, especially banks in Nigeria. The four explanatory variables applied for the study show that: CRCS does not significantly affect the financial performance and in other words is not a major driver of firm financial performance, especially banks; CRCD is a positive significant and thus a major driver of financial performance of the pooled firms in Nigeria; CRCE is positive but does not have significant effect and thus it is not a driver of financial performance of firms specifically banks in Nigeria; CRCC has a positive significant impact on performance of firm. CRCC is thus a major driver of ROE of the pooled firms within the period of study especially banks in Nigeria.

Conclusions

This study concludes that corporate risk management committee impact return on equity of the sampled firms especially banks. Out of the four explanatory variables applied in the study CRCD and CRCC are positively significant; while CRCE is positively insignificant and CRCS is insignificant on ROE.

Recommendation

The study recommends that there is a need for firms, especially banks to establishing risk management committee comprising CRCD and CRCC as they impact on financial performance.

Contribution to Knowledge

This study contributes to knowledge with the enormous rich literature for academia and reference and the new model applied in the study.

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