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CORPORATE GOVERNANCE MECHANISM ON VOLUNTARY RISK MANAGEMENT DISCLOSURE AMONG LISTED NON-FINANCIAL FIRMS ON THE NIGERIA EXCHANGE GROUP

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Abstract
The purpose of this study is to examine corporate governance mechanism and risk management disclosures in the annual reports of listed non-financial service firms in Nigeria exchange group from 2012 to 2021 and also to find the effect corporate governance has led to full disclosure of asset quality. Expost facto research design was adopted. The study utilized data from capital market fact book with an average report on shareholders fund, board size, board composition, audit size, risk ratio in evaluating the magnitude of risk management disclosure by the firms in this study. Data were analyzed using descriptive and multiple regression method of analysis. From the results obtained, the study revealed that there is a high disclosure intensity of risk management practice by the sampled firms. Though the board composition usually does not determine the extent of risk disclosure however, the board size, audit size, shareholders influence the disclosure level. Based on the findings, it is hereby recommended that Nigeria's regulatory agencies come up with further strategies to ensure that publicly traded companies are actively involved in exposing their risk management methods, particularly with regard to operational, environmental and policy risks that may affect their asset quality.

Key Words: *Corporate Governance, Non-Financial Firms, Nigeria Exchange Group, Voluntary Risk Management Disclosure.*

Introduction
Efficiency, creativity, and quality management are important factors in an organization's success, but so is adherence to corporate governance standards. A system of checks and balances between/among the board of directors, management, and investors has come to be understood as corporate governance in recent years (Ademola, Kazeem & Ajayi, 2022; Appah, 2023; Oriakpono & Musiliu, 2023). This is done in order to create a well-functioning organization that is best suited to produce long-term value. Corporate governance is a system that holds directors accountable to shareholders for managing the company effectively, in the interests of the company and the shareholders, as well as with consideration for ethics and values. It is via the board of directors that companies are managed. Complete transparency, integrity, and managerial responsibility are essential for effective board-led corporate management. In order to fulfill duties to shareholders, employees, customers, and the community in which it operates, it seeks to promote openness and accountability in an organization's processes (Olaifa, 2022).

The Financial Reporting Council, the London Stock Exchange, and the accounting

profession established the Cadbury Committee, also known as the Committee on the Financial Aspects of Corporate Governance, in May 1991. This committee produced the Cadbury Report (1992). Regarding the direction and control of corporations, the report presented comprehensive suggestions on corporate governance. The following are the essential elements of the voluntary code of corporate practice: that there be a clear separation of duties at the top, particularly between the Chairman of the Board and the Chief Executive, or that there be a strong independent element on the board; that the majority of the Board be made up of outside directors; that the majority of the members of the Board's compensation committees be non-executive directors; and that the Board should appoint an Audit Committee with at least three non-executive members. Governance is equated with the exercise of power, direction, and control by Wessels and Wansbeek (2014). It is a notion whose origins can be traced to Chaucer, which conveys the suggestion of caution. Corporate governance is the means by which organizations are run, a framework for balancing the interests of various parties with vested interests, and a representation of the interactions between a company's management, board, shareholders, and other interested parties (Adedeji & Ajulo, 2021).

Good governance standards state that management should put shareholders' interests first (Efenyumi & Okoye, 2022). Furthermore, Efenyumi and Okoye emphasized that an effective governance structure will result in accurate reporting of market circumstances and management's efficient use of resources. With the introduction of a new corporate governance code in 2018, the governance structures of corporate bodies in Nigeria underwent significant changes, particularly in regards to issues involving the composition of the Board and its respective committees, which include the risk management committee among others. The Risk Management Committee oversees firm risk policy, is responsible for managing worldwide operations, for identifying and controlling internal hazards, and for overseeing the organization's implementation of a global risk management system. The RMC's responsibility is to support the board of the company in carrying out its regulatory responsibilities with regard to the corporation's risk tolerance, the risk control that upholds the procedure, and the supremacy and/or authority structure that rules it (Ugwu, Ekwochi & Ogbu, 2021). Risk tolerance is the degree and kind of risk that an organization is willing and able to accept in its market practices and risks within her sector, despite its corporate priorities and stakeholder duties. As a resource for the company, the Risk Management Committee advances the financial statements' quality and ensures that there are no material misstatements. This facilitates the company's integrity and ultimately improves the company's competency (Khalik & Md. Sun, 2019). It is responsible for reviewing, monitoring, and evaluating the risk management principles, practices, systems, and regulations. This should strengthen the framework for risk management and foster good earnings management, thereby lowering the risks associated with opportunistic behavior (Kakanda, Salim, & Chandren, 2017). There may have been a need for a distinct and independent subcommittee outside from the board to design and carry out the firm's overall risk policies, including appetite and limit, as a result of the ongoing and recurring failure of many organizations. Failures in business are a direct outcome of inadequate and unsuitable risk management mechanisms. Therefore, corporate risk management disclosures have recently been a topic of great concern to many stakeholders in both developed and developing economies hence the need for this present study.

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The broad objective of this study is to evaluate the relationship between corporate governance mechanism and voluntary risk management disclosure of listed non-financial firms on the Nigeria Exchange Group. Specifically, the study intends to:

a. determine the extent of relationship between shareholders fund and asset quality.
b. ascertain if there is significant relation between Audit size and asset quality.
c. investigate the extant whether Board composition significantly relates with the quality of assets.
d. determine whether Board size is significantly related to asset quality,
e. ascertain if Risk ratio has any significant relationship with asset quality.

The following hypotheses were formulated:

H_{o1}: There is no significant relationship between shareholders fund and asset quality.
H_{o1}: There is no significant relationship between Audit size and asset quality.
H_{o1}: Board composition is not significantly related to the quality of assets.
H_{o1}: Board size is not significantly related to asset quality.
H_{o1}: Risk ratio has no significant relationship with asset quality.

Literature Review

Corporate Governance

Governance is the practice of exercising power, direction, and control. Corporate governance may be defined as the statutory and non-statutory structure that a board of directors uses to carry out its fiduciary responsibilities to the companies that appoint it (Egiyi, 2022). The important thing to remember is that "directors owe to shareholders, or possibly to the corporation, two basic fiduciary duties: the duty of loyalty and the duty of care." Corporate governance's main objective is to increase a company's worth by moral conduct, the promotion of an open and equitable policy, and the facilitation of well-informed decisions across the entire organization. The board of directors, which traditionally served as the center of corporate ethics, unfortunately occasionally turned into a hotbed for unethical behavior (Garba & Otomewo, 2015).

A collection of interactions between a company's management, board, shareholders, and other stakeholders is known as corporate governance. According to Isaac (2014), corporate governance also offers the framework through which the company's goals are created, as well as the methods for achieving them and judging performance. By making sure that only actions that facilitate the delivery of the best returns and other favorable outcomes are taken at all times, according to Isaac, it addresses the need for organizational stewards or managers to act in the best interest of the firm's core stakeholders, particularly, minority shareholders or investors. Relationships between a firm's numerous legitimate stakeholders are related to corporate governance. Making sure the company is managed properly for a decent return on investments is the goal of corporate governance (AlHares & Al-Hares, 2020). It is seen as a procedure wherein company issues are managed and directed in order to safeguard the interests of all stakeholders (Sullivan, 2009). The corporate governance structure outlines the rules and procedures for making decisions regarding corporate affairs as well as the distribution of rights and responsibilities among various stakeholders, including the board, managers, shareholders, and other stakeholders (Ademola, Kazeem & Ajayi, 2022). Corporate governance, in the eyes of investors, is defined by Metrick and Ishil (2002) as "both the promise to repay a fair return on capital invested and the commitment to operate a firm, efficiently given investments." In order to

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promote openness, accountability, and fair reporting, excellent corporate governance is crucial. In this sense, corporate governance covers a far larger spectrum of business strategies and life cycle development than just corporate efficiency (Mayer, 2007).

Composition of corporate governance

According to Rwegasira (2000), corporate governance is simply concerned with the institutions that provide an entity with essential orientation and direction. As a result, corporate governance includes the relationships between the company's management structure, board of directors functions, shareholders, and stakeholders, as well as the organizational structure for business control and direction. The core theme of corporate governance, according to Kazmi (2008), is regulating the relationship between an organization's directors and management and other stakeholders. The overarching goal of corporate governance is to resolve agency conflict and promote accountability in the institution's operations to improve long-term value for its stakeholders by increasing returns on their invested capital.

1. **Board of directors:** The board of directors is frequently the governing body of an organization. Its primary responsibility is to ensure that the organization achieves its shareholders' goals. Consequently, these stockholders hold the board of directors accountable (Al-Baidhani, 2015). Top executives are appointed, fired, and compensated by the board of directors (Johnson, Scholes, & Whittington, 2008). The organization's assets and invested capital are therefore safeguarded. In addition to determining the bank's objectives (including earning returns for shareholders), the board of directors' senior management influences how banks operate their daily operations, meet their requirements for shareholder accountability, and considers the interests of other recognized stakeholders. Independent directors on boards are usually seen as essential because they act as true monitors who can discipline management and enhance business performance (Duchin, Matsusaka, & Ozbas, 2010). Inside directors are better than outside directors at enhancing shareholder wealth. One of the aspects that can help to reduce agency disputes within the organization is the board's composition and size (Ademola, Kazeem & Ajayi, 2022). Board size refers to the total number of directors on a board (Levrau & Van den Berghe, 2007). Furthermore, Uwuigbe and Fakile (2012) claimed that banks with fewer than thirteen board members are more sustainable than those with more than thirteen. They also reported that banks with larger boards of directors earned less than banks with smaller boards of directors.
2. **Audit Committee:** The Audit Committee acts as a "guard dog" to ensure that procedures are adhered to. As the ultimate supervisory mechanism in the assurance process for company financial reporting, the audit committee is highly relevant (Tsui & Gul, 2003). According to Bhuiyan, Hossain, and Biswas (2007), the audit committee aids the board of directors in assessing and establishing effective internal control systems, as well as monitoring and focusing on financial risk and risk management. As a result, the audit committee supports recognizing and addressing trouble signals, reducing potential damage and boosting shareholder value. The audit committee serves as a vital link between a company and its external shareholders (Bolton, 2010).
3. **Shareholders:** Shareholders play a key role in the provision of corporate governance. Small or diffuse shareholders exert corporate governance by directly voting on critical issues, such as mergers, liquidation, and fundamental changes in business

strategy and indirectly by electing the boards of directors to represent their interests and oversee the myriad of managerial decisions (Adedeji & Ajulo, 2021). Incentive contracts are a common mechanism for aligning the interests of managers with those of shareholders. The Board of directors may negotiate managerial compensation with a view to achieving particular results. Thus small shareholders may exert corporate governance directly through their voting rights and indirectly through the board of directors elected by them.

4. **Debt Holders:** Debt purchasers provide finance in return for a promised stream of payments and a variety of other covenants relating to corporate behaviour, such as the value and risk of corporate assets (Adedeji & Ajulo, 2021). If the corporation violates these covenants or default on the payments, debt holders typically could obtain the rights to repossess collateral, throw the corporation into bankruptcy proceedings, vote in the decision to reorganize, and remove managers. However, there could be barriers to diffuse debt holders to effectively exert corporate governance as envisaged. Small debt holders may be unable to monitor complex organization and could face the free-rider incentives, as small equity holders. Also, the effective exertion of corporate control with diffuse debts depends largely on the efficiency of the legal and bankruptcy systems. Large creditors for example, as noted by Myers (1997) may induce the company to forego good investments take on too little risk because the creditor bears some of the cost but will not share the benefits.

Code of corporate governance for banks in Nigeria

The code of corporate governance is in different dimensions:

i. **Equity ownership:** Recognizes individual who form part of management of the organization in which they have equity ownership have a compelling business interest to run them well.

ii. **Organizational structure:** The responsibilities of the head of the Board, that is the Chairman, should be clearly separated from that of the head of Management, i.e. MD/CEO, such that no one individual/related party has unfettered powers of decision making by occupying the two positions at the same time.

iii. **Quality of board membership:** Institutions should be headed by an effective Board composed of qualified individuals that are conversant with its oversight functions.

iv. **Board performance appraisal:** While adherence to corporate governance principles is recognized as necessary for successful performance of Boards, it is often not a sufficient condition. Hence, the need for Board performance reviews or appraisals as a new concept to ensure successful or exceptional performance. Each Board should identify and adopt, in the light of the company's future strategy, its critical success factors or key strategic objectives. Boards should determine the skills, knowledge and experience that members require to achieve those objectives.

v. **Quality of management:** Appointments to top management positions should be based on merit rather than some other considerations.

vi. **Reporting relationship:** Officers should be held accountable for duties and responsibilities attached to their respective offices. The structure of any bank should reflect clearly defined and acceptable lines of responsibility and hierarchy.

vii. **Industry transparency, due process, data integrity and disclosure requirements:** These are core attributes of sound corporate governance practices

that are essential to installing stakeholders' confidence.

viii. **Role of auditors: internal auditors*:*** Internal auditors should be largely independent, highly competent and people of integrity. The Head of Internal Audit should not be below the rank of AGM and should be a member of a relevant professional body.

ix. **Risk management:** The Board/Board Risk Management Committee should establish policies on risk oversight and management. They should put in place a risk management framework including a risk management unit that should be headed by a Senior Executive, in line with the directive of the Board Risk Management Committee.

Voluntary Risk Management Disclosure

Risk is an uncertainty that cannot be avoided but could be controlled. Financial services regularly face different aspects of risks in their operations (Omaliko & Onyeogubalu, 2022). The financial performance of a company also depends on the risk taken but managed to a minimal level, and this is where the control of risk comes in to look at the steps taken to monitor the risk to an optimal level which would not affect the financial stability of the firm but rather increase it (Adegbola, Damilola, Tony, Sainey, Kerry & Jemima, 2021). Risk disclosure is an important tool for improving the efficiency of capital markets, as it provides for monitoring the behavior of managers and reducing uncertainty among investors regarding future cash flows (Maizatulakma, Zaleha, Zakiah, & Azlina, 2015). The voluntary risk disclosure promotes stability of the corporate organizations, market discipline effectiveness, sustains the social support of stakeholders and enhances the legitimacy and reputation of those organizations (Ernst & Young, 2014).Voluntary risk management disclosure however helps to mitigate information asymmetry and reduce stakeholder conflicts between shareholders and management. Furthermore, risk reporting is seen as a useful instrument of change management as well as an important instrument of accountability for management (Omaliko, Nwadialor & Nweze, 2020).

Corporate Governance and Voluntary Risk Management Disclosure

The risk management committee is a committee whose task is to identify, analyze, manage and deal with risks that may affect the company's achievements. Voluntary (non-financial) risk management disclosure can reduce information asymmetry, and low information asymmetry is usually found to be associated with a higher firm value (Rahmawati & Harymawan, 2022). The quality of voluntary disclosure contained in annual reports, the principal source of corporate communication, is in the heart of modern financial reporting (Onoja & Agada, 2015). Since risk taking is required in creating firm value, voluntary risk disclosure can be beneficial for several reasons. Besides mitigating information asymmetry between management and external shareholders, risk disclosure can have positive effects on the trust and confidence stakeholders have in the firm's management. It may decrease the firm's perceived risk because an open disclosure strategy supposedly results in a better assessment of the firm's future performance. This, in turn, can lead to a decline in the firm's cost of capital (Healy & Palepu, 2001) and to a reduced possibility of financial failure (Beretta & Bozzolan, 2004).

However, Taylor, (2011) states that communicating risk management and performance is inherently problematic, especially for narrative disclosures. The difficulty in risk disclosure arises from "commercial sensitivity" of the information, which means that

disclosing risk information can result to strategic exploitation by competitors and also the fact that inexact forward looking risk information can incite investors to sue the firm. For these reasons, Linsley and Shrives (2006) are of the opinion that corporate managers may not want to disclose risk information in annual reports. Their opinion confirms the proprietary costs hypothesis that, a third party whose interests are not aligned with the firm's interests can use the disclosed information against this firm's welfare. The impact of proprietary costs on firm value and its competitive position can lead to voluntary risk disclosure dilemma. Mahmudah, Yustina, Dewi and Sutopo (2023) added that voluntary disclosure becomes an important point in decision-making by stakeholders while noting that voluntary disclosure is carried out by companies to improve the quality of company reporting, create a positive response for the community and instill peace in investors. Studies by Kakanda, Salim, and Chandren (2017a), Kakanda, Salim, and Chandren (2017b), Malahim (2023) and Rieg and Vanini (2023) have emphasized that the matter of corporate bankruptcy and its links with weak corporate governance that drives to ill performance is likewise experienced in Nigeria which posts doubt on the potency of the Nigerian Corporate Governance Code (NCCG) of the year 2003. Pertinent to mention, Sanusi (2010) argues that the major factor that significantly contributes to the financial crisis in the Nigerian economy is the presence of a weak corporate governance surrounded by inadequate disclosure and transparency in reporting, inadequate risk management frameworks for identifying, measuring and controlling the risks associated with the activities of deposit money banks (DMBs) and other financial institutions among others which placed them (financial service firms) to be operating at the risk of failure.

Theoretical Review

Agency Theory

Propounded by Jensen and Meckling (1976), when it comes to companies and concerns about corporate control, agency theory sees corporate governance systems, particularly the board of directors, as an important monitoring device that guarantees that any difficulties caused by the principal-agent relationship are mitigated (Kumar, 2010). Managers are likely to be the owners' agents, but they must be supervised, and institutional frameworks must provide certain checks and balances to ensure that they do not misuse their position. The costs of abusing their position, and also the costs associated with monitoring and regulating them to avoid exploitation, are referred to as agency costs (Kim, 2010). The agency theory serves as the underpinning theory as it applies to corporate governance in the banking sector. This theory connotes how the alignment of the audit committees, board composition, and size successively improve banks performance (Ademola, Kazeem & Ajayi, 2022).

Empirical Review

Gull, Abid, Hussainey, Ahsan and Haque (2023) examined the impact of corporate governance reforms on the risk disclosure quality in Pakistan. The authors use a manual content analysis method to a sample of non-financial companies listed on the PSX-100 index for 2009–2015. Pooled ordinary least squares and the system GMM estimations were used for analysis. They found that corporate governance reforms have a positive impact on risk disclosure quality. The results indicate that certain corporate governance practices such as CEO duality and board independence are associated with risk disclosure quality. Interestingly, the findings also highlight the effectiveness of corporate governance reforms by showing that the revised code positively moderates the corporate governance

practices and risk disclosure relationship.

Kabara et al. (2023) investigated the moderation influence of CG regulatory compliance on the relationship between board diversity and voluntary disclosure (VD) of Nigerian listed firms. In this ex post facto design, 67 companies listed on the Nigerian stock exchange between 2012 and 2017 are used as a sample. The GMM approach was used. The study found that the interplay of board gender and ethnic diversity with regulatory code compliance has a very good effect on the firms' voluntary disclosure. The outcome also showed a positive and substantial link between ethnic diversity and voluntary disclosure.

In the developing nation of Indonesia, Mahmudah, Yustina, Dewi, and Sutopo (2023) investigated the impact of voluntary disclosure (CSR and carbon disclosure on business value). Researchers believe that because voluntary disclosure is still not widely practiced in developing nations, investors react negatively to it. Regression analysis was used to test the hypothesis utilizing a total of 72 observations from businesses in the energy sector. The study's findings demonstrate that voluntary disclosure has a detrimental impact on corporate value. In Indonesia, the amount of voluntary disclosure is still low, consisting mostly of following legal requirements, and it is still seen as an expense that detracts from a company's value. This study suggests that the government should enact rules and take other quick action to lessen the effects of climate change.

Using a thorough earnings quality model, Efenyumi and Okoye (2022) assessed the effects of RMC characteristics (independence and diligence) on the earnings quality of listed businesses with 70 enterprises during a ten-year period (2012–2021). The RMC features have no discernible influence on the listed enterprises' profitability reporting, according to the OLS analysis employed to analyze the hypothesis. In conclusion, the absence or near absence of an effective risk policy, planning, and determination of the company's risk appetite and tolerance, regular performance of risk assessment and monitoring, and loss investments by investors in the event of corporate failure due to the board's blindness to opportunities and rewards are detrimental to the growth and survival of firms.

The corporate governance and company performance in Nigerian publicly traded companies were the primary focus of Egiyi (2022). The study conducted ex post facto research to analyze data from 20 manufacturing listed businesses. Using System GMM, the data, which covered the years 2010 through 2020, was assessed. The success of the company was assessed using profit margin and return on assets. A company's profitability can be significantly impacted by corporate governance indicators, including board size, audit committee size, and audit quality, according to the study's findings. The conclusions recommended that legislation on institutional and governmental ownership be created by the government and the relevant authorities to act as a regulator and, in the long term, enhance corporate performance.

Oloyede (2022) evaluated the effects of corporate governance mechanisms on financial performance metrics such Return on Equity (ROE) and Return on Assets (ROA), including board independence, board size, board effectiveness, and board gender diversity. The study used a quantitative approach to its investigation. Additionally, data from the chosen microfinance banks' annual reports from 2017 to 2021 were gathered.

Data collected in the field were analyzed using a multiple regression model. The study's conclusions showed that, while board effectiveness has a significant relationship with corporate financial performance (ROA and ROE), other corporate governance mechanisms, such as board independence, board size, and board gender diversity, have a negligible relationship.

In Nigeria, the relationship between voluntary risk management disclosures and organizational sustainability was studied by Omaliko and Onyeogubalu (2022). Because it illustrates how much voluntary risk management disclosures affect organizational sustainability, the study is important. Specifically, organizational sustainability was also thoroughly covered. Strategic risk management disclosure (SRMD), technological risk management disclosure (TRMD), empowerment risk management disclosure (ERMD), and operational risk management disclosure (ORMD) were all covered. Thus, the study draws the conclusion that organizational sustainability in Nigeria was guaranteed by voluntary risk management disclosures. According to the study's conclusions, a poorly executed risk management policy would have a negative impact on the organizational sustainability and even result in the organization's dissolution.

Based on the review, it can be seen that not much research have been conducted on the link between corporate governance mechanisms and voluntary risk management disclosure in listed nonfinancial firms in Nigeria a gap in literature that has necessitated this study.

Munther (2019) used the size of the board of directors, the size of the audit committee, the family ownership ratio, and their effects on the amount of voluntary disclosure of companies registered with the Amman Stock Exchange (ASE) to analyze the effects of corporate governance (CG) standards. From 2016 to 2017, content analysis was used to gather the necessary data from a number of industries, including the financial, insurance, services, and industrial sectors. The findings showed a bad correlation between the extent of voluntary disclosure, the size of the audit committee, and the family ownership percentage. However, the analysis revealed a substantial positive association between the extent of voluntary disclosure and the size of the board of directors. The findings also revealed a substantial positive association between the CG guidelines (size of the board of directors, size of the audit committee, and family ownership percentage) and the level of voluntary disclosure of the businesses listed with ASE.

After the 2011 Corporate Governance (CG) reform, Kakanda, Salim, and Chandren (2017b) looked at the risk management procedures of listed financial services firms in Nigeria. In order to accomplish the study's goal, a content analysis of the annual reports of 45 sampled companies, covering the years 2012 to 2015, was done. The study discovered that the sampled organizations' risk management procedures are significantly disclosed, particularly in connection to their risk management committee structure and responsibilities, risk management policies, availability and function of the audit committee, and capital/market risks. There was no discernible difference between banks and nonbanks in the sample firms' reluctance to disclose their operational and environmental risks. While noting a substantial difference between banks and nonbanks in the disclosure of their risk management methods, the sample firms continued to be reticent in disclosing their environmental risk and operational risk, indicating a high adherence to the 2011 CG code in Nigeria.

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Methodology

This study adopted *ex post facto* which involves the use of data collected from documented events. It covers non-financial companies listed at the Nigerian Exchange group. As of 31 December 2022, there were a total of 63 non-financial companies listed on the Nigerian Exchange Group. Data were collected from Capital market fact book on non-financial firms listed at the exchange. The data covers 2012 to 2021. It also serves as the sample size. This study makes use of multiple regression analysis. Regression analysis includes any techniques for modeling and analyzing several variables when the focus is on the relationship between a dependent variable and one or more independent variables.
It implies that
Y= f (x) ....Eqn i.

The model is developed as
AQLTY= f (SHF, BCOMPOSITION, BSIZE, AUDIT).....................................Eqn ii.
Mathematically, this can be restated as:
$QLTY = \beta_0 + \beta_1 AVSHF_t + \beta_2 AVBCOMP_t + \beta_3 AVBSIZE_t + \beta_4 AVAUDSIZ_t + \mu$… Eqn iii.
Where:
AQLTY= Asset Quality
AVSHF= average shareholders fund
AVBCOMP= average board composition
AVBSIZE= average board size
AVAUDSIZ= average audit size
RISK_RATIO= Risk measure (control variable)

Result and Discussion

Table 1: Descriptive statistics
Date:
05/22/23
Time: 17:43
Sample: 2012 2021

	AQLTY	ASHF	AVAUDSIZ	AVBCOMP	AVBSIZE	RISK_RATIO
Mean	27.68600	1825000.	6.500000	0.556000	6.300000	0.196305
Median	28.38500	1775000.	6.000000	0.555000	6.000000	0.201955
Maximum	31.60000	2410001.	9.000000	0.680000	7.000000	0.245140
Minimum	21.20000	1400000.	4.000000	0.500000	5.000000	0.100000
Std. Dev.	2.903646	300046.5	1.581139	0.051683	0.674949	0.041433
Skewness	-1.093481	0.621239	0.355556	1.295602	-0.365675	-1.166038
Kurtosis	3.683140	2.661259	2.422222	4.450838	2.294468	3.955371
Jarque-Bera	2.187285	0.691040	0.349794	3.674693	0.430271	2.646379
Probability	0.334994	0.707852	0.839543	0.159239	0.806432	0.266285
Sum	276.8600	18250001	65.00000	5.560000	63.00000	1.963050
Sum Sq. Dev.	75.88044	8.10E+11	22.50000	0.024040	4.100000	0.015450
Observations	10	10	10	10	10	10

The descriptive statistics and normality test shows that an average 27.7% asset quality was witnessed within the period under review, shareholder funds averaged 182500, audit size averaged 6.5, board composition averaged 0.56, board size averaged 6.3 while risk ratio averaged 19.6%. The Jaque Bera statistics shows probability values that are all above 0.05 or 5% for the various variables which implies that they are not significant but normally distributed.

Table 2: Descriptive statistics
Dependent Variable: AQLTY
Method: Least Squares
Date: 05/22/23 Time: 17:53
Sample: 2012 2021
Included observations: 10

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	6.415048	18.16718	0.353112	0.7418
ASHF	4.79E-06	1.04E-05	0.459153	0.6700
AVAUDSIZ	0.267793	0.620332	0.431693	0.6882
AVBCOMP	-11.83496	38.75437	-0.305384	0.7753
AVBSIZE	2.213201	3.200925	0.691425	0.5273
RISK_RATIO	17.40839	26.80201	0.649518	0.5514
R-squared	0.723191	Mean dependent var	27.68600	
Adjusted R-squared	0.377181	S.D. dependent var	2.903646	
S.E. of regression	2.291525	Akaike info criterion	4.780022	
Sum squared resid	21.00435	Schwarz criterion	4.961573	
Log likelihood	-17.90011	Hannan-Quinn criter.	4.580861	
F-statistic	2.090084	Durbin-Watson stat	1.444899	
Prob(F-statistic)	0.247444			

The model estimated is AQLTY = 6.41504843623 + 4.79452774906e-06*ASHF + 0.267793122133*AVAUDSIZ - 11.834959324*AVBCOMP + 2.21320099233*AVBSIZE + 17.4083888891*RISK_RATIO.

The results shows that shareholders fund is positively related (4.79452774906e-06) with asset quality, in other words, shareholders are ready to invest in companies whose asset are safe and less toxic. Audit size also shows a positive relationship (0.267793122133) with asset quality, which implies that auditing, is necessary for disclosure of risk especially in present state of company asset quality. Board composition shows a negative function (- 11.834959324) which implies that the composition of the board in most cases does not really determine the quality of assets and disclosure process. Board size shows a positive relationship (+ 2.21320099233) which implies that a higher board size will likely increase disclosure level of risk than a board with lower number of members. Risk ratio shows a positive relationship (17.4083888891) with asset quality which implies that the higher the risk the likely there will be disclosure.

The R-squared at 72.31% implies that corporate governance proxies are strongly fitted on quality of asset of the companies. The Adjusted R-squared of 37% indicates that the

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proxies jointly explained the variation of 37% found in the asset quality of the firms.

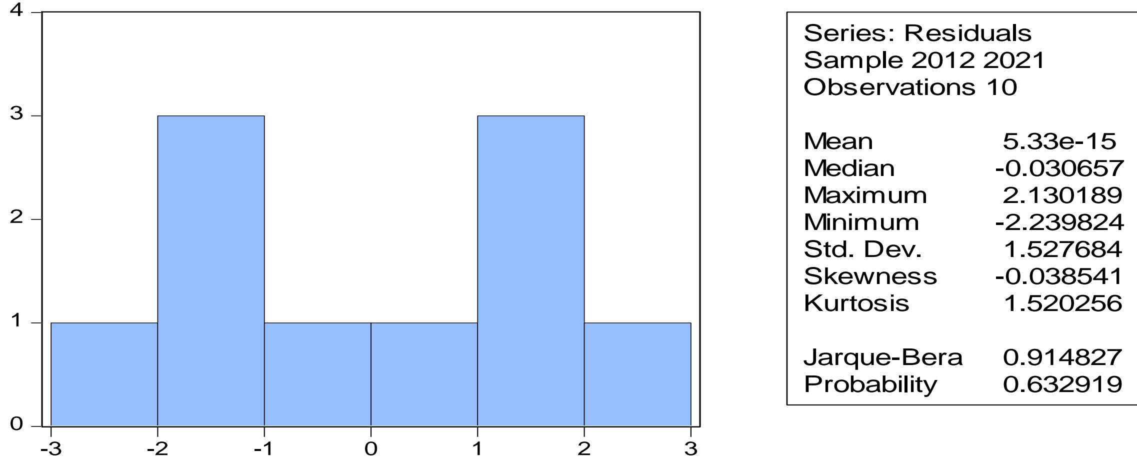

Figure 1: Histogram-Normality test

Using the standardized residuals, figure 1 shows a skewness of -0.038541 and Kurtosis of 1.520256 indicating low level of significance. The Jarque Bera value of 0.914827 with a probability value of 0.632919 which insignificant to affect the normal distribution of the residuals. The residuals are jointly, normally distributed.

Table 3: Breusch-Godfrey Serial Correlation LM Test:

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	0.676477	Prob. F(2,2)	0.5965
Obs*R-squared	4.035111	Prob. Chi-Square(2)	0.1330

The BG, LM test in Table 3 shows that the F-statistic and obs*R-Squared are insignificant to result to serial correlation, suggesting that there is no first order serial correction in the series.

Table 4: Heteroskedasticity Test: Breusch-Pagan-Godfrey:

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	0.418904	Prob. F(5,4)	0.8171
Obs*R-squared	3.436729	Prob. Chi-Square(5)	0.6330
Scaled explained SS	0.398872	Prob. Chi-Square(5)	0.9954

Table 4 shows Breusch-Pagan-Godfrey test's F-stat, obs* R2 and scaled explained SS stats respectively suggest that the residuals in our model were insignificantly influenced by the presence of heteroskedasticity. Therefore, there is homogeneity in our model.

Conclusion and Recommendations

The purpose of this study is to examine corporate governance mechanism on risk management disclosures in the annual reports of listed nonfinancial service firms in Nigeria exchange group from 2012 to 2021 and also to find the effect corporate governance has led to full disclosure of asset quality. The study utilized data from capital market factbook with an average report on shareholders fund, board size, board composition, audit size, risk ratio in evaluating the magnitude of risk management

disclosure by the firms in this study. From the descriptive results obtained, the study finds that there is a high disclosure intensity of risk management practice by the sampled firms. Even though the board composition usually doesnt determine the extent of risk disclosure however, the board size, audit size, shareholders influence the disclosure level. Based on the findings, it is hereby recommended that

1. Nigeria's regulatory agencies come up with further strategies to ensure that publicly traded companies are actively involved in exposing their risk management methods, particularly with regard to operational, environmental and policy risks that may affect their assets. In this situation, management personnel and the general public can make better decisions on certain environmental issues and reduce potential operational and environmental dangers.
2. Additionally, by fostering competition among different businesses, the sharing of such information may reduce pollutant emissions. Although it has been determined that corporate annual reports are the most effective way to reach a variety of stakeholders, risk management practices can be published exclusively on the websites of firms in order to cut disclosure costs that could also increase information disclosure.

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