



CORPORATE GOVERNANCE AND RISK DISCLOSURE OF MANUFACTURING COMPANIES IN NIGERIA

Dr ONOMUHARA OKE GODWIN

**Department of Accounting,
Faculty of Social and Management Sciences,
Igbinedion University Okada**

DR. EVBOTA CEPHAS IMUENTINYAN

**Department of Accounting,
Faculty of Social and Management Sciences
Western Delta University
Oghara,
Delta State**

ABSTRACT

The main aim of this study is to determine the impact of corporate governance on risk disclosure of manufacturing companies in Nigeria.. The specific objectives included to determine the effect of board independence on risk disclosure in Nigeria manufacturing firms; find out the relationship between board size and risk disclosure in Nigeria manufacturing firms; ascertain the relationship between board gender and risk disclosure in Nigeria manufacturing firms; and examine the relationship between audit committee independence and risk disclosure in Nigeria manufacturing firms.

The data for the selected quoted companies was sourced from the 2024 Annual Reports of the sampled manufacturing companies in Nigeria within the period of 2020-- 2024 The Ordinary Least Square Regression Analysis was employed to test the hypothesized relationship between corporate governance and risk disclosure in Nigeria. The regression was be analyzed with the aid of E-views 9.0 econometrics software.

The result shows that board size has a positive and statistical significant relationship with risk disclosure in Nigeria, board independence has a negative and statistically insignificant

relationship with risk disclosure in Nigeria, there exist a positive and statistically significant relationship between board gender and risk disclosure in Nigeria and lastly audit independence was found to have a positive and statistically significant relationship with risk disclosure in Nigeria, design was adopted in the study because the data were collected at a particular point in time. The data for the selected quoted companies was sourced from the 2023 Annual Reports of the sampled manufacturing companies in Nigeria within the period of 2019 to 2023 The Ordinary Least Square Regression Analysis was employed to test the hypothesized relationship between corporate governance and risk disclosure in Nigeria. The regression will be analyzed with the aid of E-views 9.0 econometrics software.

The result shows that board size has a positive and statistical significant relationship with risk disclosure in Nigeria, board independence has a negative and statistically insignificant relationship with risk disclosure in Nigeria, there exist a positive and statistically significant relationship between board gender and risk disclosure in Nigeria and lastly audit independence was found to have a positive and statistically significant relationship with risk disclosure in Nigeria.

Keywords-- Board gender, firm, Impact, manufacturing companies,, corporate governance, risk disclosure.

INTRODUCTION

Risk disclosure and the definition of risk itself have evolved over time. In this study, risk is defined as the combination of the probability of an event and its consequences, which includes both positive and negative aspects of risk (Ntim & Lindop, 2013). Furthermore, previous studies such as (Ofiafoh & Imoisilhave, 2010; Siregar & Bachtar, 2010; Ntim, Lindop & Thomas, 2013) defined risk disclosure as risk information disclosed in a company's annual report. In Nigeria, publicly listed companies are required by regulations and financial reporting standards to disclose risk information in their annual report (Probohudono, Tower & Rusmin, 2013).

Financial and market risk disclosures (such as currency, interest rate and credit risks) are the most regulated categories of risk (Lajili & Zeghal, 2005). In particular, the Canadian Institute of Chartered Accountants (CICA) Handbook (Section 3860) requires that firms disclose any information that assists users of financial statements in assessing the extent of risk related

financial instruments use such as the extent and nature of the financial instruments including the terms and conditions (John & Senbet, 2016).

However, the regulation does not specifically define the form of risk information that companies should disclose. Corporate governance is all about running an organization in a way that guarantees that its owners as stakeholders are receiving a fair return on their investment (Adams & Mehran, 2015). They observed that a company is a separate legal entity which no one actually owns. It can therefore be implied that shareholders do not own a company (Ofiafoh & Imoisili, 2010).

As corporate risk management continues to evolve globally to embrace several aspects of business operations and activities, corporate governance and corporate risk management are increasingly intertwined thus highlighting the importance of interdependencies and mutual impacts of corporate governance choice on overall risk management strategies and disclosures (Abraham, Santos & Cox, 2007). Risk disclosure has an impact on a company: A company that discloses risk information will have a better image for investors, as it will provide investors with a better chance to adequately assess a company's risk profile, which ultimately improves decision making to maximize their profits (Mokhtar & Mellet, 2013).

For management, the decision to disclose risk information helps to reduce information asymmetry with stakeholders and maximize the most efficient and effective forms of risk management. Risk disclosure is affected by the governance mechanisms within the company (Mokhtar & Mellet, 2013). The relationship between risk disclosure and governance mechanisms has been previously explored.

Global corporate financial scandal and global financial crisis such as Enron scandal (2001), Volkswagen emissions scandal (2015), Lehman Brothers (2008), BP scandal (2010), Uber scandal (2019), Apple scandal (2017), Facebook scandal (2018), Valeant Pharmaceuticals scandal (2015), Kobe steel scandal (2017) and Equifax scandal (2017) caused a decline in stakeholder trust in published company reports, which has led to a greater demand for increased risk disclosure (Amran, Haat, Hassan & Rosli, 2008). Global corporate financial scandal and global financial crisis also reignited the debate on the effectiveness of risk governance and its disclosure to the public. Risk disclosure in Nigeria, in particular, is relatively low compared to other countries such as Australia, Malaysia, South Africa, USA, Singapore, etc (Black, Jang & Kim, 2016). Thus, Nigeria also needs to improve its risk disclosure practice in order to meet stakeholder expectations regarding the urgency of and need for risk information.

1.2 Statement of Research Problem

The impact of good governance on a firm's reputation cannot be over emphasized. Good corporate governance promotes goodwill and confidence in the financial system (Back, Johnson & Kim, 2014). Corporate governance and risk disclosure have established board independence, board gender, audit committee independence and other determinants as very critical (Duke & Kankpang, 2013).

A number of studies have examined the effect of corporate governance on risk disclosure in many countries around the globe. For instance, Duke & Kankpang, 2013; Back, Johnson & Kim, 2014; Ofiafoh & Imoisili, 2010); among others. these studies show different and even contradictory results. For instance, the effect of corporate governance on risk disclosure is seriously being debated among researchers. This is because while positive relationship has been found by studies of (Back, Deck & Vandemelle 2009; Chahine & Filatotchev, 2013; Siregar & Bachtiar, 2010), other studies found a negative effect of corporate governance on risk disclosure (Mokhtar & Mellet, 2013 Amran, Haat, Hassan & Rosli, 2008; Probohudono, Tower & Rusmin, 2013).

The mixed findings could be attributable to different techniques of analysis adopted by the researchers, difference in the period, policies and environments within which the studies are conducted. This study therefore fills the gap by widening and extending the gap to 2024

Furthermore, most studies did not make use of the Generalised Least Square (GLS) method, therefore this study will go beyond the ordinary least square method and will adopt the GLS method of data analysis. Other relevant tests such as, Multicollinearity, Variance inflation factors and heteroscedasticity test will be conducted.

1.3 Objectives of the Study

The main aim of this study is to determine the impact of corporate governance on risk disclosure in Nigeria. The following are the specific objectives to;

- i. determine the effect of board independence on risk disclosure in Nigeria manufacturing firms;
- ii. find out the relationship between board size and risk disclosure in Nigeria manufacturing firms;
- iii. ascertain the relationship between board gender and risk disclosure in Nigeria manufacturing firms; and

- iv. examine the relationship between audit committee independence and risk disclosure in Nigeria manufacturing firms.

1.4 Research Hypotheses

The hypotheses of this study are stated in their null form below;

H₀₁: There is no significant effect of board independence on risk disclosure in Nigeria manufacturing firms.

H₀₂: There is no significant relationship between board size and risk disclosure in Nigeria manufacturing firms.

H₀₃: There is no significant relationship between board gender and risk disclosure in Nigeria manufacturing firms.

H₀₄: There is no significant relationship between audit committee independence and risk disclosure in Nigeria manufacturing firms.

1.5 Scope of the Study

The study focused on the Nigerian economic specifically. Balance panel data will be sourced from Nigeria Stock Exchange within the period of 2020 – 2024 for 40 manufacturing firms. The justification for using the manufacturing sector is because other studies have been done on other sectors other only few studies have been carried out in the manufacturing sector. The choice of this sample frame is informed by data availability. This time frame is selected due to the relative stability of the manufacturing sector during this period.

LITERATURE REVIEW

2.1 Corporate Governance Mechanisms

There are many dynamics or variables that may constitute benchmarks by which corporate governance can be measured in an organization. Some of these mechanisms are briefly discussed following.

Board Independence

Corporate Governance indices bestow higher rating to firms with independent boards.

Board size

Corporate Governance Codes recommend boards not to be too big and an ideal size of board is between 5 to 16 depending on the size and diversification of the organization. Jensen (1993) attributes ineffectiveness of large boards to the rather undue emphasis on courtesy politeness associated with bigger groups rather than being frank and truthful. Some board members are implicitly coerced into agreeing to boardrooms decisions albeit; with some reservations which they fail to voice out. The agency problem also increases with board size as there are more conflicting groups representing their own diverse interests. In addition, Free-riding also increases as some directors neglect their monitoring and controlling duties to other colleagues on the board (Bhagat& Black, 2012). Most companies also have a representative of minority shareholders on board that is not usually increased with increasing board size (Eisenberg, 2012).

Board Gender

Board gender diversity is a significant aspect of corporate governance, it is defined as the presence of female directors on the **board** of directors of corporations (Carter et al, 2003). The banking industry in Nigeria follows the corporate governance regulation of developed economies on gender equality on boards. However, the consequences of the switch are still not clear (Abdullah, Ismail&Nachum, 2015). Studies argue that women directors are effective in attracting and retaining female employees and linking companies with resources (Hillman, Shropshire&Cannella, 2007).

Thiruvadi and Huang (2011) found the appointment of female directors in U.S. companies to enhance market returns compared to males. Other studies observed that females in emerging capital market boards negatively relays with earnings misstatement (Abdullah & Ku Ismail, 2013). On the contrary, Lee and James (2007) found a negative market response to the appointment of women director on board. In Nigeria, the SEC code of corporate governance is not specific on the appointment of women on board.

Audit Committee Independence

Audit Independence may be defined as an auditor's unbiased mental attitude in making decisions throughout the audit and financial reporting process. Independence refers to the quality of being free from influence, persuasion or bias, the absence of which will greatly impair the value of the audit service and the audit report (Sweeney, 1994). An auditor's lack of independence increases the possibility of being perceived as not being objective. This means that the auditor will not likely report a discovered breach (Deangelo, 1981).

Priorstudies assert that high fees paid by a company to its external auditor increase the economic bond between the auditor and the client and thus, the fees may impair the auditor's

independence (Li & Lin, 2005). The impaired independence results in poor audit quality and allows for greater earnings management and lower earnings quality (Okolie, 2013). In Nigeria, a company audit committee performs an oversight and monitoring function on managers' discretion over accounting policies. McMullen (1996) identifies two levels at which a functional audit committee contributes to the quality of the audit process.

Firstly, the supervision of the financial reporting process and the examination of major accounting choices enable the Audit Committee to mitigate or constrain earnings management practices. Secondly, the coordination of both the internal audit and external audit, and particularly ensuring and assuring external auditors' independence from managerial influences or pressures enables audit committees to guarantee that irregularities and financial misstatement observed by external auditors are reported. Bedard, Chtourou and Courteau (2004) find that the possibility of aggressive earnings management decreases if the audit committee contains a financial expert or an expert in corporate governance and if it is composed wholly of independent directors.

Corporate Governance Codes

The Nigerian Code of Corporate Governance (the "Code") was issued in 2018 by the Financial Reporting Council of Nigeria (the "FRCN") pursuant to Sections 11(c) and 41(c) of the Financial Reporting Council of Nigeria Act, 2011. The issuance of the Code stemmed from the suspension of the National Code of Corporate Governance 2016 (the "2016 Code") by the Federal Government of Nigeria.

The Code, which is aimed at companies of varying sizes across different industries, seeks to institutionalise corporate governance best practices and promote public awareness of essential corporate values and ethical practices that will enhance the integrity of the business environment.

The FRCN, through sectoral regulators and registered exchanges, will monitor the implementation of the Code and may, in this regard, conduct periodic reviews on the implementation of the corporate governance principles that are frequently deviated from by companies.

The Nigerian Code of Corporate Governance 2018 appears to take a softer approach with respect to corporate governance and gives companies room to establish corporate governance policies which are suitable for their operations taking into cognisance the various recommendations in the Code. In this regard, it is stated expressly in the Code that "flexibility – the ability to apply the Code in a wide range of circumstances, and scalability – the ability

to apply to companies of differing sizes, are of utmost importance for successful implementation".

Risk Background

In the financial world, disclosure refers to the act of releasing all relevant information on a company that may influence an investment decision—making public both positive and negative news, data, and other details about its operations, or that impact its operations, in a timely fashion. Similar to disclosure in the law, the concept is that, in the interest of fairness, all parties should have equal access to the same set of facts.

Risk disclosure is a document disclosing potential risks associated with options and futures trading. The Commodity Futures Trading Commission (CFTC) requires that a risk disclosure document be provided to all prospective options or futures investors.

Risk reporting can encourage a more rigorous and consistent risk management process. It connects closely with all stage of risk management and act as a drive for enhancing risk (Al-shammari, 2014). The more comprehensive and detailed the risk reporting is the more robust the risk management system could potentially be. Clear and consistent statements of risk information can help manager to make well informed and considered information, this in turn lead to competitive advantage and increased value of the company (Amran, Bin & Hassan, 2009).

Furthermore, business reporting aims to provide all relevant information regarding the past, present and future states of the company to the stakeholders for making economic decisions. Analyst need risk information to value companies and make investment recommendations (Davey & Eggleton, 2011). In addition, investors want risk information to decide the trading volume and timing of their share. Finally, it is argued that more transparent risk information disclosure can protect shareholders by enhancing accountability and corporate governance practice (Liu, 2006).

Acknowledge the importance of risk, the accounting standard and regulatory agencies have taken several steps to improve disclosure, for example, in the USA financial reporting release no:48 require SEC registrants to disclose both qualitative and quantitative information on market risk in the notes to the accounts and also in the management discussion and analysis section (Berretta & Bozzilian, 2014).

In the UK, the operating and financial review recommends a company to disclose its review of key risks and strong by encouraging the inclusion of a clear discussion of trends affecting the future. In Germany require information on risk to be presented in a separate section of the

management report that accompanies the consolidated financial statements in Australia, the Australia ASX corporate principals and recommendation issued principal 7 on risk management and recognition (Amranet *et al.*, 2009)

In addition, the international accounting standard board issues an exposure draft on management commentary on the 2009 and 2010 and IFRS practice statement, these discuss the framework for the preparation and presentation of a management commentary should include among others, a clear description of the significant resources, risks and relationship are managed (Chau & Gray, 2012). In Egypt, the ministry of investment issued a ministerial decree no: 243 that contains 35 EAS, which are based substantially on the IAS but with a minor difference effective from 2007, these standard include for the first time a risk related accounting standards, namely EAS 25 since the latter is the Arabic translation of the former however EAS25 based on IAS 32 before last amends in 2010 (Mokhtar & Mellett, 2013).

Main benefits for companies arising from sound risk disclosure are thought to be the reduction of information asymmetries and the reduction of the cost of capital (Deumes, 2008; Deumes & Knechel, 2008; ICAEW, 1999, 2011; Linsley & Shrivs, 2000, 2005, 2006; Schrand & Elliott, 1998; Solomon *et al.*, 2000) resulting in a strong incentive for companies to disclose. For users and markets, main benefits should be the possibility of adapting the risk profile of companies and investors (Abraham, Marston, & Darby, 2012), the better allocation of capital in markets, increased transparency and the consequent enhancement of economic efficiency.

Traditional costs of disclosure, such as the cost of producing information (Deumes & Knechel, 2008; Solomon & Cooper, 1990) disclosure of proprietary information (Healy & Palepu, 2001; ICAEW, 2011; Schrand & Elliott, 1998) and litigation and loss of reputation (Deumes & Knechel, 2008; ICAEW, 2011) are usually considered limitations that result in incentives to avoid disclosing risks.

The public good nature of firms' information, which may lead to the underproduction of risk information and the possibility that firms do not internalize externalities arising from their risk disclosure decisions, justified that regulators imposed rules for risk disclosure in order to ensure the proper functioning of the markets (Leftwich, 1980; Leuz & Wysocki, 2008; Watts & Zimmerman, 1978).

However, even in the presence of mandatory disclosure, managers always have discretionary decision about what is actually disclosed (Lang & Lundholm, 1993; Wallace, Naser, & Mora, 1994), and despite theoretical economic benefits and mandatory disclosure, existing

research usually point to the insufficiency and inadequacy of risk disclosure (ICAEW, 1997, 2011; Kravet&Muslu, 2013).

2.3 Theoretical Framework

This research will be based on the agency theory. Agency theory is defined as the relationship between the principals, such as shareholders and agents such as the company executives and managers. In this theory, shareholders who are the owners or principals of the company, hires the agents to perform work. Principals delegate the running of business to the directors or managers, who are the shareholder's agents (Clarke, 2004). Indeed, Daily et al (2003) argued that two factors can influence the prominence of agency theory. First, the theory is conceptually and simple theory that reduces the corporation to two participants of managers and shareholders.

Second, agency theory suggests that employees or managers in organizations can be self-interested. The agency theory shareholders expect the agents to act and make decisions in the principal's interest. On the contrary, the agent may not necessarily make decisions in the best interests of the principals (Padilla, 2000). Such a problem was first highlighted by Adam Smith in the 18th century and subsequently explored by Ross (1973) and the first detailed description of agency theory was presented by Jensen and Meckling (1976). In agency theory, the agent may be succumbed to self-interest, opportunistic behavior and falling short of congruence between the aspirations of the principal and the agent's pursuits. Even the understanding of risk defers in its approach. Although with such setbacks, agency theory was introduced basically as a separation of ownership and control (Bhimani, 2008).

2.4 Empirical Literature

Board Independence

Hermalin and Weisbach (2011), and Bhagat and Black (2012) found no correlation between the degree of board independence and four measures of risk disclosure, controlling for a variety of other governance variables, including ownership characteristics, firm and board size and industry. These researchers found that poorly performing firms were more likely to increase the independence of their board. Coles, Daniel and Naveen, (2008) state that non-executive directors are effective monitors firm's strategy related issues. They are able to provide independent expert judgment when dealing with the executive directors in areas such as pay awards, executive director appointments and dismissals. O'Sullivan M. (2010) recorded that, non-executive directors in the board become less effective if they continue with the same board for many years.

Board Size

Brown and Caylor (2012) also suggest that a board size between 6 to 15 members is ideal to enhance the risk disclosure. Yermack (2012) documented that those firms having small board sizes have higher risk disclosure. He finds an inverse relationship between risk disclosure and board size by using a sample of large United States corporations. Morck, Shleifer and Vishny (2008), argued that risk disclosure increases if the board size increased but the contribution of an additional board member decreases as the size of the board increases.

Wintoki (2007), employs a generalized method of moments (GMM) estimator that allows board size to adjust to past risk disclosure, and finds no relationship between board size and risk disclosure. Additionally, since board size is determined by firm specific characteristics, the impact of board size on risk disclosure may differ according to these characteristics. Consistent with this, Coles et al. (2008) find that the impact of board size on risk disclosure is positive for large firms, and hence large board size may be an optimal value maximizing outcome for such firms. The relationship between board size and risk disclosure may differ not just by firm specific characteristics but also by national institutional characteristics. In countries with different institutional backgrounds, the functions of boards are different, and therefore the expected board size - risk disclosure relation may be expected to differ.

Board Gender

Board gender diversity is the presence of female directors in corporate boards of directors (Dutta & Bose 2007); (Campbell & Mínguez-Vera, 2008). The participation of women in the labor market has grown since 1980 although this has not been matched with the improvement in quality of employment (ILO, 2007). In many European countries the participation of women in the labor market is lower as compared to men (Curdova, 2005). This is a common phenomenon in majority of countries including Spain (Campbell & Mínguez-Vera 2008). Alongside this, gender representation in boardrooms gained impetus in the early 2003 after the release of Higgs Report on good corporate governance in the UK. Despite the release of the Higgs Report, company boards remain largely male dominated (Grosvold et al., 2007).

Rondøy (2006) found no effect between gender diversity and risk disclosure for all Scandinavian countries. Ahern and Dittmar (2011) found a negative effect between gender diversity and risk disclosure in Norway. In other countries, there is also no consistency in findings of researchers. Engelen et al. (2012) find no relationship in the Netherlands and Gallego-Álvarez et al. (2009) finds no relationship in Spain. Nguyen & Faff (2006) find a positive relationship in Australia, Terjesen, et al. (2015) find a positive relationship in their multi-country study and Julizaerma&Sori(2012) find a positive relationship in Malaysia. Low

et al. (2014) also find a positive relationship in Malaysia and in Hong-Kong, South-Korea and Singapore, but they say the positive effects are diminished in countries with higher female economic participation and empowerment.

Audit Independence and Risk Disclosure

Previous empirical studies have provided the relationship between audit independence and risk disclosure (Klapper & Love, 2002; Gompers, Ishii & Metick, 2003; Black, Jang & Kim 2013) with inconclusive results. Ahmed and Nicholls (1994) found audit independence to significantly influence information disclosure in financial statements.

Gosh (2007) found a statistically significant impact on audit independence on risk disclosure, noting that 10% increase in diligence increases the risk disclosure of the organization by 1%. John and Senbet (2016), used financial and non-financial data from companies listed on the Malaysian Stock Exchange market in 2009. The result of the study reported a negative relationship between audit independence and finance risk disclosure. The implication of the finding is that less frequent but meaningful meetings should be encouraged. More frequent meetings will result in diverting organizational resources to less productive activities. This negative relationship is also consistent with Lipton and Lorsch (2012). However, others believe that infrequent board meetings will result to insignificant influence on the activities of management (Macey, 2011 and Imam, 2006).

Eisenberg (2012) found no relation between the proportion of outside directors on risk disclosure. Literature review and preview and previous empirical studies from overseas have been referenced to develop a research framework and to develop research hypotheses in relation to the relationship between audit independence and risk disclosure.

METHODOLOGY

3.1 Research Design

A cross-sectional study involves looking at data from a population at one specific point in time. Cross-sectional studies are observational in nature and are known as descriptive research, not causal or relational, meaning that you can't use them to determine the cause of something, such as a disease. The cross-sectional survey research design was adopted in the study because the data were collected at a particular point in time.

3.2 Population of the Study

The population of the study is made up all the 50 manufacturing companies listed on the floor of the Nigerian Stock Exchange as at 31st December, 2024

3.4 Sample Size and Sampling Method

The sample size for students will be obtained using the Taro Yamene (1967) formula;

$$n = \frac{N}{1+Ne^2}$$

Where n= sample size

Where n = sample

N = Population

e = level of sig (5% i.e. 0.05)

N = 50

$$n = \frac{50}{1+0.125(0.05)^2} = \frac{50}{1.125}$$

n = 44

$\approx \approx$ 40

3.4 Sources of Data

The nature of this study necessitated the use of secondary data. The data for the selected quoted companies was sourced from the 2023 Annual Reports of the sampled manufacturing companies in Nigeria within the period of 2019 to 2023

3.5 Method of Data Analysis

The Ordinary Least Square Regression Analysis was employed to test the hypothesized relationship between corporate governance and risk disclosure in Nigeria. The regression will be analyzed with the aid of E-views 9.0 econometrics software. The justification of this technique is in respect to the assumption that the parameter estimates obtained under this technique tends to possess the desirable best linear unbiased estimates (BLUE) of a model.

3.6 Model Specification

The first and most important step the researcher has to take in attempting the study of any relationship between variables is to express the relationship mathematically that is to specify the model with which it will be explored empirically. In the model specification below, the researcher intends to investigate the relationship between corporate governance and risk disclosure in Nigeria manufacturing firms.

$$RD_t = \beta_0 + \beta_1 BI_t + \beta_2 BS_t + \beta_3 BG_t + \beta_4 AUDI_t + \mu$$

Where;

RD = Risk disclosure

BI = Board independence

BS = Board size

BG = Board gender diversity

DATA ANALYSIS AND INTERPRETATION OF RESULT

4.1.Descriptive Statistics

The descriptive statistics of the model is presented in table 4.1

Table 4.1: Descriptive Statistics

	RD	BS	BI	BG	AUDI
Mean	17.25523	10.69874	5.732218	0.824268	2.958159
Median	18.00000	11.00000	5.000000	1.000000	3.000000
Maximum	20.00000	17.00000	12.00000	1.000000	4.000000
Minimum	9.000000	1.000000	3.000000	0.000000	2.000000
Std. Dev.	3.078409	3.213881	2.438196	0.381391	0.238884
Skewness	-1.286254	-0.227257	1.088520	-1.704017	-2.556715
Kurtosis	3.780180	2.554657	3.134692	3.903674	16.15867
Jarque-Bera	71.96366	4.032253	47.37822	123.7953	1984.673
Probability	0.000000	0.133170	0.000000	0.000000	0.000000
Sum	4124.000	2557.000	1370.000	197.0000	707.0000
Sum Sq. Dev.	2255.431	2458.310	1414.862	34.61925	13.58159
Observations	239	239	239	239	239

Source: Eviews, 9.0

The descriptive statistics of the variables used in the analysis presented in Table 4.1 explains the range, minimum, maximum, mid values, spread and normality of the variables. The mean value of RD is 17.26. It had a maximum value of 20 and a minimum value of value of 9

revealing a small variation thereby showing some degree of variability. RD was however skewed to the left with a value of -1.29 but not normally distributed because the p-value of 0.000 is lesser than 0.05.

The mean values of all the explanatory variables are positive. All the explanatory variables are positively skewed to the left except board independence which has a value of 1.09. The result is so because we are studying different firms in same industry. All the kurtosis values are more than 3 except board size which has a Kurtosis value 2.5. All the Jarque-Bera values are not more than 0.05 except board size which indicate that all the variables are not normally distributed.

4.2.1 Correlation Analysis

In an attempt to examine the association between the dependent and independent variables, the correlation matrix was utilized. The correlation matrix highlights the association between all the variables used in the study.

Table 4.2: Correlation Analysis

Covariance Analysis: Ordinary

Date: 12/3/23 Time: 14:55

Sample: 2019-- 2023

Included observations: 239

Balanced sample (listwise missing value deletion)

Correlation

t-Statistic

Probability	RD	BS	BI	BG	AUDI
RD	1.000000				

BS	0.433763	1.000000			
	7.411213	-----			
	0.0000	-----			
BI	0.029297	0.369826	1.000000		
	0.451210	6.127855	-----		
	0.6523	0.0000	-----		
BG	0.428442	-0.005665	-0.281256	1.000000	
	7.299693	-0.087217	-4.512017	-----	
	0.0000	0.9306	0.0000	-----	
AUDI	0.517380	0.404916	0.204312	0.103427	1.000000
	9.307513	6.817485	3.213125	1.600819	-----
	0.0000	0.0000	0.0015	0.1107	-----

Source: Eviews, 9.0

The correlation coefficient in table 4.2 shows a mixed correlation of both positive and negative values. In the opinion of Dwivedi (2008) the correlation coefficient should not exceed 0.90; otherwise the independent variables that show a relationship in excess of 0.90 may be suspected of exhibiting multicollinearity. A closer look at the coefficients results in the matrix revealed that to a large extent all the variables coefficients are not more than 0.90. This means that there is absence of multicollinearity problem in our model. Multicollinearity between explanatory variables may result to wrong signs or implausible magnitudes, in the estimated model coefficients, and the bias of the standard errors of the coefficients.

On the association among the independent variables, we can observe that both positive and negative associations exist among all the variables. Most of the coefficients are quite low and moderate.

4.2.2 Regression Analysis

To examine the impact of corporate governance on risk disclosure in Nigeria. Multiple regression analysis was performed employing the ordinary least squares method of estimation. The results are presented below;

Table 4.3: OLS Result

Dependent Variable: RD

Method: ARMA Maximum Likelihood (OPG - BHHH)

Date: 12/12/20 Time: 09:19

Sample: 2013 2018

Periods included: 6

Included observations: 239

Cross-sections included: 40

Coefficient covariance computed using outer product of gradients

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	14.85343	1.495918	9.929312	0.0000
BS	0.051154	0.025672	1.992641	0.0475
BI	-0.180908	0.036658	-4.934965	0.0000
BG	2.173187	0.131651	16.50721	0.0000
AUDI	0.403505	0.262883	1.534920	0.1262
AR(1)	0.957102	0.030267	31.62166	0.0000
SIGMASQ	0.737951	0.038710	19.06338	0.0000

R-squared	0.921802	Mean dependent var	17.25523
Adjusted R-squared	0.919780	S.D. dependent var	3.078409
S.E. of regression	0.871904	Akaike info criterion	2.605664
Sum squared resid	176.3703	Schwarz criterion	2.707485
Log likelihood	-304.3768	Hannan-Quinn criter.	2.646695
F-statistic	455.8043	Durbin-Watson stat	2.057275
Prob(F-statistic)	0.000000		

Inverted AR Roots	.96
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Source: Eviews 9.0

Table 4.3 shows the impact of corporate governance on risk disclosure in Nigeria. The results show that about 92.1% of systematic variations in the dependent variable are explained by the independent variables leaving 92% unaccounted for. This figure further reduces to about 92% when the R-squared statistics is further adjusted for degree of freedom. This means that other factors apart from the independent variables are responsible for risk disclosure in Nigeria. The result shows that board size has a positive and statistical significant relationship with risk disclosure in Nigeria. Board independence has a negative and statistically insignificant relationship with risk disclosure in Nigeria. Also, there exist a positive and statistically significant relationship between board gender and risk disclosure in Nigeria. Lastly, audit independence was found to have a positive and statistically significant relationship with risk disclosure in Nigeria. The Durbin-Watson value of 2.06 indicate the absence of low autocorrelation in the model.

4.3 Discussion of Findings

The study sets its decision rule for the acceptance of the hypothesis at 5% level of significance; hence, the null hypothesis would be rejected if the probability value (P value) is

less than 0.05. Considering the individual coefficients of the explanatory variables, the findings made from the empirical analysis are;

Hypothesis 1

H_{01} : There is no significant effect of board independence on risk disclosure in Nigeria manufacturing firms.

From the foregoing analysis in table 4.3, it is observed that board independence has a negative and statistically insignificant relationship with risk disclosure in Nigeria. We therefore reject the null hypothesis which states that there is no significant effect of board independence on risk disclosure in Nigeria manufacturing firms. This agrees with the findings of Ali, Alireza and Jalal (2013); Akintoye (2008).

Hypothesis 2

There is no significant relationship between board size and risk disclosure in Nigeria manufacturing firms.

From the foregoing analysis in table 4.3, it is observed that board size has a positive and statistically significant relationship with risk disclosure in Nigeria. We therefore reject the null hypothesis which states that there is no significant relationship between board size and risk disclosure in Nigeria manufacturing firms. This conforms to the result of Ashtiani (2005).

Hypothesis 3

There is no significant relationship between board gender and risk disclosure in Nigeria manufacturing firms.

It is observed that board gender has a positive and statistically significant relationship with risk disclosure in Nigeria. We therefore reject the null hypothesis which states that there is no significant relationship between board gender and risk disclosure in Nigeria. This conforms to the result of Chikashi (2013).

Hypothesis 4

There is no significant relationship between audit committee independence and risk disclosure in Nigeria manufacturing firms.

From the foregoing analysis in table 4.3, it is observed that audit committee has a positive and statistically significant relationship with risk disclosure in Nigeria. We therefore reject the null hypothesis which states that there is no significant relationship between audit committee independence and risk disclosure in Nigeria manufacturing firms. This agrees with the findings of Ali, Alireza and Jalal (2013); Akintoye (2008).

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

This study sought to examine the impact of corporate governance on risk disclosure in Nigeria. To facilitate the study, various hypotheses were stated on the relationship between corporate governance and risk disclosure in Nigeria within the period of 2019 to 2023 for 40 manufacturing firms quoted in the Nigeria stock exchange as at 31st December, 2023. The ordinary least squares econometric tools was employed to empirically examine the relationship.

In particular, the following specific findings were made from the empirical analysis:

The result shows that board size has a positive and statistical significant relationship with risk disclosure in Nigeria

Board independence has a negative and statistically insignificant relationship with risk disclosure in Nigeria.

There exist a positive and statistically significant relationship between board gender and risk disclosure in Nigeria.

Audit independence was found to have a positive and statistically significant relationship with risk disclosure in Nigeria.

5.2 Conclusion

This study examined the impact of corporate governance on risk disclosure in Nigeria in selected quoted companies. The result shows that board size has a positive and statistical significant relationship with risk disclosure in Nigeria. Board independence has a negative and statistically insignificant relationship with risk disclosure in Nigeria. Also, there exist a positive and statistically significant relationship between board gender and risk disclosure in Nigeria. Lastly, audit independence was found to have a positive and statistically significant relationship with risk disclosure in Nigeria. In summary, based on the data analysis and the result which revealed that corporate governance affects risk disclosure as supported by the various empirical findings.

5.3 Contribution to Knowledge

This research study contributes immensely to knowledge, because it helps to improve the body of the existing literature on corporate governance and risk disclosure in Nigeria. This

research study can also serve as a policy document for policy makers in time of policy formulation.

5.4 Recommendations

Based on the findings of the study, corporate governance has an effect on risk disclosure in Nigeria. To this end, these recommendations are made,

This study suggested future studies to moderate or mediate some variables that have a significant relationship between corporate governance and risk disclosure and may lead to more improvement because of the inclusiveness in the previous research results.

Since board size, board gender and audit independence have positive relationship with risk disclosure, management should make effort to maximize and increase their board size in the organization.

Board independence should be strictly monitored in the firm's board because they impact negatively on risk disclosure in Nigeria manufacturing sector.

It also recommended that, the Institute of Chartered Accountants of Nigeria (ICAN) and the Association of National Accountants of Nigeria (ANAN) should ensure that their professional members carry out their audit engagement with due diligence. Moreover, management, regulators, investors and other stock market participants should play their unique and important roles in enhancing companies disclosure of risk in Nigeria.

5.5 Suggestions for Further Studies

This study also contains limitations and suggestions for further research;

First, the risk disclosure measurement of this study focuses on quantitative disclosure by only categorizing risks as threats, opportunities, or uncertainties. Future research might consider the quality of disclosure by taking into account more comprehensive keywords and categories.

This study applies a cross-sectional approach to examining risk disclosure practices. Future research could use a longitudinal approach, which would generate a wider understanding of risk disclosure practices in Indonesian companies

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