

Examining the Influence of Risk Management Committee Dynamics on Financial Performance: A Case Study of Listed Insurance Companies in Nigeria

ABSTRACT

The Nigerian insurance industry has experienced substantial growth due to factors like increased awareness, regulatory reforms, and technological advancements. This research aimed to explore how the composition, structure, and activities of risk management committees influence key financial performance metrics, focusing on return on assets (ROA). Data from annual reports and audited financial statements of selected insurance companies listed on the Nigerian Exchange Group from 2013 to 2022 were analyzed using both descriptive and inferential statistics. The study revealed that risk management committee size and meeting frequency positively impact financial performance, suggesting that larger committees and more frequent meetings correlate with better financial outcomes. However, factors like committee independence and gender diversity had insignificant effects on financial performance. In conclusion, the presence and effectiveness of risk management committees significantly affect the financial performance of listed insurance companies in Nigeria. The study recommends that insurance companies prioritize diverse committee compositions to benefit from a wider range of expertise and perspectives.

Keywords: Risk management committee, risk committee size, risk committee meetings, risk committee independent, risk committee gender diversity, and financial performance.

INTRODUCTION

The Nigerian insurance industry plays a crucial role in the country's economy, providing essential risk management services and contributing to financial intermediation and economic development. As a key component of the financial services sector, insurance companies in

Nigeria are subject to various regulatory requirements and market dynamics that influence their financial performance (Fali et al., 2020). Over the years, the Nigerian insurance industry has witnessed significant growth and evolution, driven by factors such as increasing awareness of the importance of insurance, regulatory reforms, and technological advancements. Despite these advancements, challenges such as low insurance penetration, inadequate regulatory enforcement, and market volatility continue to impact the performance of insurance companies in the country (Lamidi et al., 2022).

Financial performance is a critical measure of the effectiveness and sustainability of insurance companies in Nigeria. Key indicators of financial performance include profitability, solvency, liquidity, and efficiency. Profitability metrics such as return on assets (ROA), return on equity (ROE), and underwriting profitability reflect the ability of insurance companies to generate profits from their operations and investments (Dada et al., 2023). Solvency ratios assess the company's ability to meet its financial obligations, while liquidity ratios measure its ability to meet short-term liabilities. Listed insurance companies in Nigeria are subject to additional scrutiny and transparency requirements compared to their unlisted counterparts. As publicly traded entities, they are required to disclose financial information regularly and adhere to corporate governance standards set by regulatory bodies such as the Securities and Exchange Commission (SEC) and the National Insurance Commission (NAICOM). These regulations aim to promote transparency, accountability, and investor confidence in the insurance sector (Fali et al., 2020).

Despite the regulatory framework in place, the financial performance of listed insurance companies in Nigeria is influenced by various internal and external factors. Internal factors include management practices, investment decisions, underwriting policies, and risk management strategies (Oluwagbade et al., 2023). External factors encompass macroeconomic conditions, regulatory changes, competition, and technological disruptions. Given the significance of the insurance sector in Nigeria and the importance of financial performance for sustainable growth and investor confidence, there is a need for comprehensive research to understand the drivers and determinants of financial performance among listed insurance companies. Such research can provide insights into industry trends, best practices, and areas for improvement, thereby informing stakeholders, policymakers, and market participants (Awotmilusi et al., 2023).

In today's dynamic and uncertain business environment, risk management has emerged as a critical aspect of corporate governance, particularly within the insurance sector. Insurance companies operate in inherently risky environments, where effective risk management practices are essential for maintaining financial stability and ensuring long-term sustainability. Central to this endeavor is the role of the risk management committee, tasked with overseeing and mitigating various risks faced by the organization (Dagunduro et al., 2023).

The primary objective of this research is to investigate the extent to which the composition, structure, and activities of the risk management committee impact key financial performance metrics such as return on assets (ROA). By systematically analyzing these factors, this research aims to provide valuable insights into the mechanisms through which risk management committee dynamics influence financial performance outcomes. The findings of this study are expected to contribute to the existing body of knowledge on corporate governance and risk management in the insurance sector, thereby fostering a deeper understanding of the interplay between governance structures and financial outcomes in the Nigerian context.

LITERATURE REVIEW

Risk Management Committee

A Risk Management Committee is a specialized group within an organization responsible for overseeing and managing various aspects of risk within the organization. Typically established at the board or senior management level, the Risk Management Committee plays a crucial role in identifying, assessing, and mitigating risks that could impact the organization's objectives, operations, or stakeholders (Fran & Ukpon, 2024). Their responsibilities involve identifying and understanding the different types of risks (e.g., financial, operational, strategic, compliance) that the organization faces. Evaluating the likelihood and potential impact of identified risks on the organization's goals and objectives. Developing and implementing strategies and policies to mitigate, transfer, or accept risks in line with the organization's risk appetite and tolerance levels. Monitoring the effectiveness of risk management processes and controls, ensuring compliance with regulatory requirements, and reviewing risk exposure and performance metrics (Agbo et al., 2023). Providing regular reports to the board of directors or senior management on the organization's risk profile, key risk exposures, and risk management activities. The composition of a Risk Management Committee may vary depending on the size, nature, and complexity of the organization. It typically includes individuals with expertise in risk

management, finance, operations, legal, and other relevant areas. The committee may also engage external advisors or consultants to provide independent perspectives on risk-related matters (Oluwagbade et al., 2023). Overall, the Risk Management Committee plays a critical role in promoting a proactive and systematic approach to managing risks, safeguarding the organization's assets, reputation, and long-term viability.

Risk Management Committee Size

The term "Risk Management Committee Size" refers to the number of members comprising the Risk Management Committee within an organization. The size of the committee is an important aspect of its structure and composition, as it can influence the effectiveness of risk management oversight and decision-making processes. The optimal size of a Risk Management Committee may vary depending on factors such as the organization's size, complexity, industry, and risk profile (Odubasi et al., 2022). In general, a larger committee size may offer broader perspectives and expertise but could also lead to challenges in coordination, decision-making, and communication. Conversely, a smaller committee size may promote agility and efficiency but may lack diversity of viewpoints and expertise. The composition of a Risk Management Committee often includes individuals with relevant expertise and experience in areas such as risk management, finance, operations, legal, compliance, and governance. Additionally, some organizations may also include external advisors or independent directors on the committee to provide objective insights and oversight (Akai, 2022).

Risk Management Committee Meetings

Risk Management Committee Meetings refer to scheduled gatherings of the Risk Management Committee within an organization, convened to discuss, assess, and address various aspects of risk management. These meetings serve as forums for committee members to review and deliberate on risk-related matters, make decisions, and oversee the implementation of risk management strategies (Alduneibat, 2023). The frequency and format of Risk Management Committee Meetings may vary depending on factors such as the organization's risk profile, industry regulations, and internal policies. Typically, these meetings are held regularly, ranging from monthly, quarterly, to semi-annually or annually, depending on the organization's needs and the level of risk it faces (Odubasi et al., 2020). Effective Risk Management Committee Meetings are essential for promoting transparency, accountability, and proactive risk management within an organization. They provide a structured platform for collaborative risk assessment and

decision-making, enabling the organization to identify and mitigate risks effectively to safeguard its assets, reputation, and long-term viability (Awotomilusi et al., 2023). The determination of the optimal committee size involves balancing the need for diverse perspectives and expertise with considerations of efficiency, effectiveness, and practicality. It is essential for organizations to assess their specific requirements and organizational context when determining the appropriate size of the Risk Management Committee to ensure it can effectively fulfill its responsibilities in managing and mitigating risks.

Risk Management Committee Independent

The term "Risk Management Committee Independent" refers to the degree of autonomy and impartiality maintained by the members of the Risk Management Committee within an organization. In the context of corporate governance, independence is crucial for ensuring that the committee can effectively fulfill its oversight responsibilities and make unbiased decisions regarding risk management (Fran & Ukpong, 2024). Members of the Risk Management Committee should be independent from the executive management team of the organization. This independence ensures that committee members can objectively evaluate management's actions and decisions related to risk management without undue influence or conflicts of interest. Maintaining independence within the Risk Management Committee is essential for promoting effective risk oversight, transparency, and accountability within the organization. It enhances confidence among stakeholders and helps mitigate the risk of conflicts of interest or biases that could undermine the committee's effectiveness in managing risks (Oluwagbade et al., 2023).

Risk Management Committee Gender Diversity

Risk Management Committee Gender Diversity refers to the inclusion of individuals from diverse gender backgrounds within the composition of the Risk Management Committee of an organization. Gender diversity aims to ensure representation and equal participation of both men and women in decision-making processes related to risk management (Alduneibat, 2023). Gender diversity within the Risk Management Committee is an important aspect of corporate governance, reflecting principles of inclusivity, equality, and diversity. It recognizes the valuable perspectives, experiences, and insights that individuals of different genders can bring to risk management discussions and decision-making processes. Gender diversity within the Risk Management Committee is essential for promoting a culture of inclusivity, equality, and effective risk management within organizations (Fali et al., 2020). By harnessing the diverse

perspectives and talents of both men and women, organizations can strengthen their resilience to risks and enhance their overall performance and sustainability.

Financial Performance

Financial performance refers to the evaluation of a company's ability to generate profits and meet its financial obligations over a specific period. It provides insights into how well a company utilizes its resources to achieve its strategic objectives and create value for its stakeholders (Oluwagbade et al., 2023). Financial performance is typically assessed through various financial metrics, ratios, and indicators that analyze different aspects of a company's operations, profitability, efficiency, and solvency. Financial performance evaluation often considers the company's revenue growth rate, which indicates the rate at which its sales or revenues are increasing over time. Positive revenue growth reflects the company's ability to expand its market share, attract customers, and increase its top-line revenue (Awotomilusi et al., 2023). Effective cost management is crucial for maintaining financial performance. Companies strive to control and reduce their operating expenses, production costs, and overheads while maximizing revenues to improve profitability. Cost efficiency ratios such as the operating expense ratio and cost-to-income ratio assess the company's effectiveness in managing its costs (Kolawole et al., 2023).

Financial performance assessment also considers the company's financial stability and solvency. Metrics such as the debt-to-equity ratio, interest coverage ratio, and current ratio measure the company's ability to meet its short-term and long-term financial obligations and manage its debt levels effectively. Financial performance evaluation may also include analysis of the company's market performance, such as its stock price performance, market capitalization, and shareholder return (Dagunduro et al., 2022). These indicators assess investor confidence, market sentiment, and the company's competitiveness relative to its peers. Financial performance evaluation is essential for investors, creditors, management, and other stakeholders to assess the company's financial health, sustainability, and value-creation potential. It helps in identifying strengths, weaknesses, opportunities, and threats, guiding strategic decision-making and performance improvement initiatives.

To evaluate the financial performance of financial institutions, a combination of financial ratios and benchmarking techniques are used as indicators of performance concerning set objectives (Boluwaji et al., 2024). Financial performance represents the assessment of a

company's financial well-being, particularly in terms of its ability to effectively utilize resources to generate profits (Dagunduro et al., 2022). It is important to note that the long-term viability and value of a firm depend on its capacity to maintain a favorable level of profitability through its operational activities. As highlighted by Adewara et al. (2023), financial performance serves as a reflection of the executive leadership's effectiveness within a company. Aluko et al. (2022) further emphasize that financial performance can be evaluated through factors such as profitability growth, production capacity, sales expansion, and the efficient utilization of capital and financial resources.

According to Kolawole et al. (2023), a performance system refers to a collection of metrics, indicators, or standards utilized to evaluate the efficiency and effectiveness of actions. Therefore, the term "Financial Performance" can be subjectively understood as a measure of the extent to which a company can generate revenue by leveraging its primary operational assets. Furthermore, this term is commonly used as a comprehensive assessment of an organization's overall financial strength over a specific period, serving as a basis for comparing similar organizations within the same industry. It has been observed that financial performance is considered a key indicator when assessing an organization's exposure to risks (Boluwaji et al., 2024). Various criteria are used to measure financial performance. For instance, Dagunduro et al. (2023) highlights profitability and issues of shares as measures of financial performance for a given year. On the other hand, Awotomilusi et al. (2023) state that indicators such as return on assets (ROA), return on equity (ROE), and Tobin's Q (TQ) can be used to gauge improvements in a company's performance over a specific period. Therefore, this study utilized ROA, ROE, and TQ as assessment metrics to evaluate the financial performance of the analyzed firms.

Return on Assets (ROA)

Financial performance encompasses various metrics and indicators that evaluate a company's effectiveness in utilizing its resources to generate profits and create value for its stakeholders. One of the fundamental components of financial performance is profitability, which serves as a key measure of a company's success in generating earnings relative to its expenses and investments (Oluwagbade et al., 2023). Profitability ratios, such as net profit margin, gross profit margin, and return on assets (ROA), provide insights into different aspects of a company's profitability. This ratio indicates the percentage of revenue that remains as net income after deducting all expenses, including operating expenses, taxes, and interest (Dada et

al., 2023). A higher net profit margin suggests that the company is efficiently managing its costs and generating more profits from its operations. The gross profit margin measures the percentage of revenue that exceeds the cost of goods sold (COGS). It reflects the profitability of the company's core business activities before considering operating expenses. A higher gross profit margin indicates that the company is effectively managing its production and distribution costs (Awotomilusi et al., 2023).

Return on Assets (ROA) evaluates how efficiently a company utilizes its assets to generate profits. It compares the company's net income to its total assets, indicating the amount of profit generated for each dollar of assets employed. A higher ROA signifies better utilization of assets and higher profitability (Dagunduro et al., 2023; Oluwagbade et al., 2023). According to Dada et al. (2023), return on assets (ROA) is a critical metric that assesses the company's ability to generate profits relative to its asset base over a specific period. A higher ROA suggests that the company is utilizing its assets effectively to generate income, making it an attractive prospect for potential investors. Financial performance, particularly profitability, is crucial for assessing a company's overall health and viability. By analyzing profitability ratios such as net profit margin, gross profit margin, and return on assets, stakeholders can gain valuable insights into the company's operational efficiency, competitiveness, and potential for sustainable growth (Dagunduro et al., 2023; Kolawole et al., 2023).

Theoretical Framework

The research is grounded in Agency Theory, which originated from the seminal work of Stephen Ross and Barry Mitnick in 1973, further developed and popularized by Michael C. Jensen and William H. Meckling in 1976. Agency Theory delves into the intricate relationship between principals, typically represented by shareholders, and agents, such as managers or executives entrusted with making decisions on behalf of the principals. The theory posits that agents are expected to act in the best interests of the principals, reflecting the delegation of decision-making authority from the principal to the agent. Central to Agency Theory is the recognition of potential conflicts arising from information asymmetry among stakeholders, including management, debt holders, and shareholders. This disparity in information may lead to agency problems, where agents may prioritize their own interests over those of the principals. The theory underscores the critical role of effective oversight mechanisms, such as the risk

management committee, in governance structures to mitigate agency issues and align incentives towards achieving organizational objectives.

Furthermore, Agency Theory highlights the influence of agency dynamics on attitudes towards risk-taking and investment strategies. The theory suggests that principals may seek to monitor and control agents' risk behavior to safeguard their interests. Consequently, the structure and composition of the risk management committee become crucial in shaping risk management decisions aimed at optimizing overall financial performance. However, it is important to recognize that Agency Theory operates under certain assumptions, including the assumption that principals possess complete information about agents' actions. In practice, this may not always hold true, leading to potential misalignments in incentives and conflicts. As highlighted by Eisenhardt (1989), Agency Theory is most relevant in settings characterized by a clear separation between principals and agents, such as publicly traded corporations, but may have limited applicability in other organizational contexts, such as partnerships or nonprofit organizations. In summary, Agency Theory provides a theoretical framework for understanding the dynamics of principal-agent relationships and their implications for risk management and financial performance. By considering the principles of Agency Theory, researchers can analyze the effectiveness of governance structures, including the risk management committee, in addressing agency issues and enhancing organizational resilience and performance.

Risk Management Committee and Financial Performance

Several studies have investigated the interplay between Risk Management Committee (RMC) characteristics and financial performance within the context of different industries and countries. For instance, Fran and Ukpong (2024) conducted a study to explore how the risk management committee affects the financial performance of listed deposit money banks in Nigeria. They utilized an ex-post facto research design, focusing on a population of fourteen commercial banks listed on the Nigerian Exchange Group as of 2023. The study employed purposive sampling and secondary data sources covering the period from 2013 to 2022. Data analysis involved descriptive statistics and regression analysis. Their findings revealed that the size and independence of the risk management committee had negative and insignificant effects on financial performance, whereas committee diligence had a positive and significant impact.

Oluwagbade et al. (2023) aimed to investigate how the structure of the risk management committee affects the financial performance of these institutions listed on the Nigerian Exchange

Group (NGX). Their research employed ex-post facto and panel data research designs, analyzing data from the audited financial statements of thirty-four listed financial institutions over a ten-year period from 2012 to 2021. The study focused on a population of thirty-four listed financial institutions, including nineteen deposit money banks and fifteen insurance companies on the NGX. They used a purposive sampling technique, investigating twenty of these firms due to complete data availability. Their analysis involved descriptive statistics and panel regression. The findings provided significant evidence supporting the idea that the risk management committee (RMC) has a measurable and statistically significant impact on the financial performance of the listed financial institutions in Nigeria. The nature and effectiveness of the RMC within these institutions were shown to have a meaningful relationship with various financial metrics, demonstrating its role in shaping the financial performance of these listed entities.

Agbo et al. (2023) investigated the effects of audit and risk management committees on the financial performance of healthcare firms in Nigeria. They employed an Ex Post Facto research design and collected data from sampled healthcare companies in the Nigerian Exchange Group. Hypotheses were tested using regression analysis via E-View 9.0. The study revealed that while the audit committee had a positive effect on return on equity, this effect was not statistically significant at the 5% significance level. However, the risk management committee significantly influenced the return on equity of healthcare companies in Nigeria.

Alduneibat (2023) aimed to provide evidence on the impact of risk management committee (RMC) characteristics on a company's performance in an emerging corporate governance context. The study found that RMC had no effect on profitability. However, it revealed that Enterprise Risk Management (ERM) and Corporate Social Responsibility (CSR) had a significant negative impact on firm value, while Return on Equity (ROE) also had a significant negative effect on firm value. Interestingly, Corporate Governance Code (GCG) showed no effect on firm value.

Awotomilusi et al. (2023) sought to evaluate the impact of operational risk disclosure on the financial performance of financial institutions listed on the Nigerian Exchange Group (NGX). Employing ex-post facto and panel data research designs, the study utilized data extracted from the audited financial statements of listed financial institutions spanning a decade from 2012 to 2021. The study focused on a population of thirty-four listed financial institutions, comprising nineteen deposit money banks and fifteen insurance companies on the NGX. Using

purposive sampling, twenty of these firms were investigated due to the availability of comprehensive data. Descriptive statistics and panel regression analysis were employed for analysis. The findings indicate that operational risk disclosure significantly influences the financial performance of listed financial institutions in Nigeria. Specifically, disclosures pertaining to technology, reputation, and strategic risks were found to positively impact key financial metrics.

Odubuasi et al. (2022) highlighted the increasing contemporary risks and subsequent corporate failures, emphasizing the necessity for risk committees with specific attributes to mitigate risks for firms. Their study aimed to investigate the impact of risk committee effectiveness (RCE) on the financial performance of quoted banks in three selected African countries over the period from 2009 to 2018. Specifically, the study examined risk committee diligence, composition, diversity, expertise, size, and their relationship with return on equity (ROE) in Nigeria, South Africa, and Ghana. Adopting an ex post facto research design, panel data were sourced from the annual reports of the chosen banks in the respective countries. The study utilized a fixed effect model (FEM) as supported by the Hausman test. The FEM analysis revealed a highly significant effect of RCE diligence and composition on bank performance across Nigeria, South Africa, and Ghana.

Lamidi et al. (2022) investigated the attributes of risk committees and their influence on the financial performance of deposit money banks (DMBs) in Nigeria. Secondary data from annual reports of 13 selected DMBs were analyzed using panel regression. The study found that the size and independence of risk management committees negatively impacted the financial performance of DMBs in Nigeria, whereas the size of the committees did not show significant effects. Akpan and Akai (2022) delved into the impact of RMC attributes on the financial performance of deposit money banks in Nigeria. They employed an ex-post facto research design utilizing secondary data sources, revealing that the diligence of the RMC had a notable positive effect on financial performance, while the size and independence of the committee had a negative and inconsequential impact.

Odubuasi et al. (2021) examined the combined effect of risk management committees and ERM on the performance of banks in Nigeria. Their study formulated four objectives aligned with the hypotheses. They utilized an ex-post facto research design and selected nine banks using discretionary sampling. Secondary data from the banks' annual reports spanning from 2010 to

2019 were analyzed using descriptive statistics, correlation analysis, and panel data regression. The results indicated that risk committee accounting expertise had a positive effect, while risk committee gender diversity had an inverse effect. Furthermore, ERM and risk committee attributes jointly exhibited a statistically significant and positive effect on the performance of Nigerian banks.

Fali et al. (2020) assessed how the size, independence, and expertise of risk management committees influence the financial performance of listed insurance companies in Nigeria between 2012 and 2018. Their study involved a sample of 24 insurance companies selected from a population of 27, utilizing secondary data obtained from annual reports. They measured the dependent variable using return on assets (ROA) and employed a Random Effect regression model. Their findings revealed that risk management committee expertise had a negative and significant impact on financial performance, while committee size and independence did not influence performance. Additionally, the study indicated that risk management committees restraining management from excessive risk-taking led to poorer financial performance in insurance firms.

Conceptual Framework

This research aims to explore the impact of the risk management committee on the financial performance of insurance companies listed on the Nigerian Exchange Group. The risk management committee serves as the independent variable, while financial performance serves as the dependent variable. The diagram below illustrates the relationship between the variables under study.

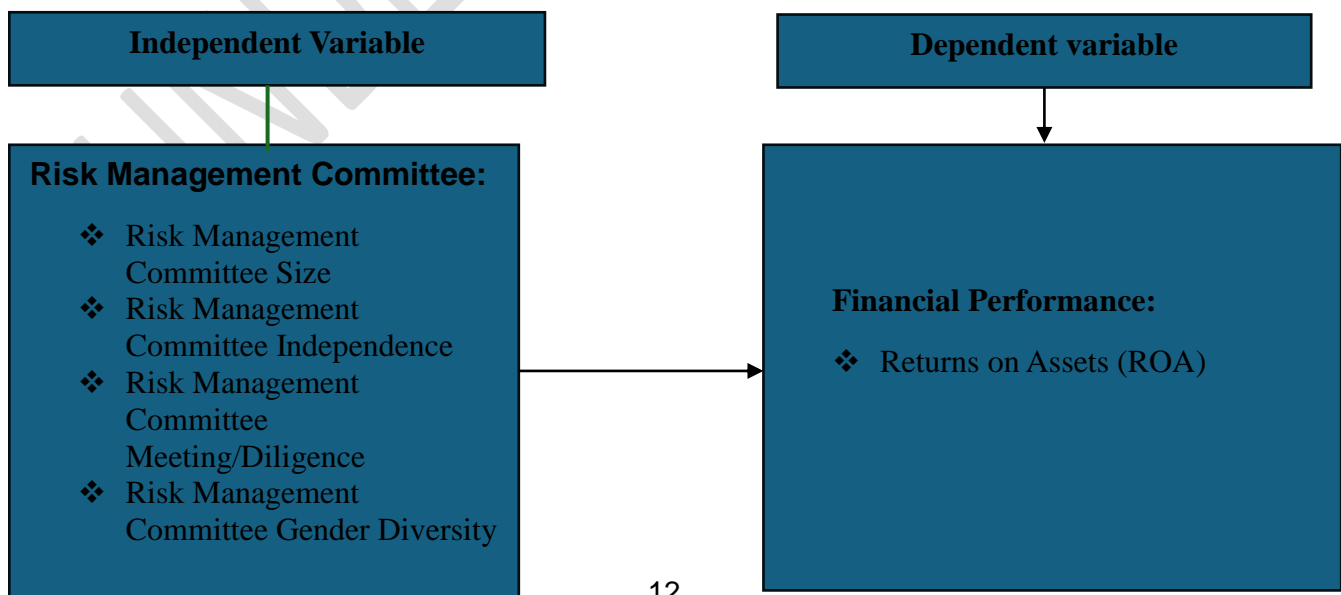


Figure 1: Conceptual Framework
Source: Authors' Concepts (2024)

DATA AND METHODS

This research adopted an ex-post facto research design, aiming to retrieve data recorded over a specific period, sourced from annual reports and audited financial statements of selected insurance companies listed by the Nigerian Exchange Group (NGX) as of December 31, 2022, for a period of 10 years spanned from 2013-2022. These records were deemed sufficient, representative, and suitable for this study's purposes. The study population comprised seventeen (17) insurance companies listed on the Nigerian Exchange Group as of the date. The selection of this sector was motivated by its relative neglect in previous research conducted in Nigeria. Through purposive sampling, ten (10) insurance companies were chosen for investigation due to the availability of comprehensive data. The collected panel data underwent analysis using both descriptive and inferential statistics.

Model Specification

The econometric model utilized in this study follows the framework established by Oluwagbade et al. (2023) to examine the association between the independent and dependent variables. It is articulated as follows:

$$FP = \alpha_0 + \beta_1 RMCS + \beta_2 RCID + \beta_3 RMCM + \beta_4 RCGD + \varepsilon_{it}$$

Where:

FP = Financial Performance

RCMC = Risk Management Committee Size

RCID = Risk Management Committee independence

RMCM = Risk Management Committee Meeting/Diligence

RCGD = Risk Committee Gender Diversity

α_0 = Constant

Σ = Stochastic Error Term

β_0 = Intercept

$\beta_1, \beta_2, \beta_3, \beta_4$ = The Coefficients of the independent variable

The *a-priori* expectation = $\beta_1, \beta_2, \beta_3, \beta_4 > 0$, this suggests that a positive correlation is anticipated between the explanatory variables and the dependent variable.

Table 1: Measurement and Description of Research Variables

SN	Variable	Acronym	Role	Measurement	Source
1	Financial Performance	FP	Dependent		
1a	Return on Assets	ROA	Dependent	It is calculated as earnings after tax divided by the total asset (%)	Dada et al. (2023)
2	Risk Management Committee	RMC	Independent		
2a	Risk Committee Size	RMCS	Independent	Expressed as the total members (directors and non-directors) in the risk committee.	Oluwagbade et al. (2023)
2b	Risk Committee Independence	RCID	Independent	Expressed as the ratio of non-directors and non-executive directors within the risk committee divided by the total size of the risk committee (as a percentage).	Oluwagbade et al. (2023)
2c	Risk Committee Meeting/Diligence	RMCM	Independent	Measured as the total count of gatherings convened by the risk committee members within a single year.	Oluwagbade et al. (2023)
2d	Risk Committee Gender Diversity	RCGD	Independent	Measured as the proportion of female members in the risk committee in relation to the overall size of the risk committee (expressed as a percentage).	Oluwagbade et al. (2023)

Source: Researchers' compilation (2024)

DATA ANALYSIS AND DISCUSSION OF FINDINGS

Descriptive Statistics

Table 2 provides an overview of the descriptive statistics for the variables examined in this study. The average size of the risk management committee is approximately 2.85 members, with a median of 2.5 members. The standard deviation, indicating the degree of variation from the mean, is relatively high at 2.195. The distribution of committee sizes shows a slight skew towards the right, but it does not deviate significantly from a normal distribution. The average return on assets (ROA) is approximately 1.21, with a median of 1.03. However, there is notable variability in ROA, as indicated by a large standard deviation of 2.089. The distribution of ROA is moderately skewed towards the left and significantly differs from a normal distribution. Regarding the variables RCGD (Risk Management Committee Gender Diversity) and RCID (Risk Management Committee Independence), their means are 7.6180 and 31.943, respectively. These variables exhibit both positive and negative skewness, suggesting non-normal distributions.

The variable RMCM (Risk Management Committee Meetings) has an average value of 1.9595. Its positive skewness value indicates a distribution that is highly peaked, meaning that the majority of observations cluster around the mean, but there are outliers that contribute to a deviation from normality. In summary, Table 2 provides insights into the characteristics of the variables studied, including the size of the risk management committee, return on assets, gender diversity, independence, and frequency of meetings. The descriptive statistics indicate variability and skewness in these variables, highlighting the diverse nature of risk management practices and financial performance within the sample.

Table 2: Descriptive Statistics

	Mean	Median	Max	Mini	Std. Dev.	Skewness	Kurtosis	Jarque-Bera	Prob	Obs
RCGD	7.6180	6.6975	40.00	0.00	8.091	0.470	1.765402	15.92878	0.00000	100
RCID	31.943	31.250	50.00	0.00	11.72	-0.224	1.833551	5.187745	0.00275	100
RMCM	1.9595	2.0000	5.500	0.00	0.828	0.345	3.316955	62.64190	0.00000	100
RMCS	2.8465	2.5000	6.000	0.00	1.098	0.098	1.642565	0.970104	0.18950	100
ROA	1.2085	1.0275	10.38	-8.80	2.089	-0.517	4.870112	207.1398	0.00000	100

Source: Researchers' Computation (2024)

Panel unit root test

Table 3 showcases the outcomes of panel unit root tests, affirming that every variable within the panel dataset maintains stationarity and doesn't adhere to a random walk pattern. These tests were executed employing two distinct statistical methods: Levin, Lin & Chu t statistics and Im, Pesaran, and Shin's W-statistics, with exceedingly minimal p-values (0.0000). The annotations accompanying the results signify that all variables are "Integrated at level," indicating a consistent mean and finite variance, without showcasing trend behavior across time. Such findings strongly imply that the variables exhibit stationarity, rendering them apt for econometric analysis that relies on this assumption. In essence, the findings presented in Table 3 affirm the stationarity of all variables within the panel dataset, indicating their stability over time and suitability for econometric analysis. These results lay a solid foundation for further investigation and modeling in the field of econometrics.

Table 3: Panel Unit Root Test

	Levin, Lin & Chu t statistics	Im, Pesaran and Shin W-statistics	Remarks
	Levin, Lin & Chu t statistics	Im, Pesaran and Shin W-statistics	
	p-value	p-value	
RCGD	-4.36810	-3.14720	Integrated at level
RCID	-3.31119	-3.77146	Integrated at level
RMCM	-5.60118	-2.19181	Integrated at level
RMCS	-4.85394	-3.91986	Integrated at level
ROA	-5.71552	-4.26875	Integrated at level

Source: Researchers' Computation (2024)

The Effect of Risk Management Committee on the Financial Performance of Listed Insurance Companies on the Nigerian Exchange Group

Correlation analysis

Table 4 displays the correlation matrix, illustrating the relationships among the independent variables RCGD, RCID, RMCM, and RMCS. The analysis indicates several noteworthy findings: There exists a slight positive correlation between RMCS and RMCM, suggesting a weak tendency for an increase in one variable to coincide with a small increase in the other. A modest negative correlation is observed between RMCS and RCID, indicating that as one variable increases, the other tends to decrease slightly. There is virtually no discernible relationship between RMCS and RCGD, suggesting that changes in one variable do not significantly coincide with changes in the other. The correlation between RMCM and RCID is moderately positive, implying a stronger tendency for these variables to increase or decrease together. Similarly, the correlation between RMCM and RCGD is weakly positive, indicating a

mild tendency for these variables to move in the same direction. The correlation between RCID and RCGD is also weakly positive, suggesting a minor tendency for these variables to increase or decrease together. The study concludes that overall, the relationships between the variables are generally weak or moderate. Only the correlation between RMCM and RCID stands out as moderately positive. However, the degree of correlation observed is not significant enough to raise concerns about severe collinearity issues, indicating that the variables can be considered relatively independent for the purposes of analysis. The study concludes that the observed correlations between the variables are not significant enough to cause severe collinearity issues, suggesting that the variables can be safely included in regression models without substantial concerns about collinearity.

Table 4: Correlation Analysis

Correlation Probability	RMCS	RMCM	RCID	RCGD
RMCS	1.0000 -----			
RMCM	0.0695 0.0251	1.0000 -----		
RCID	-0.0372 0.1481	0.2184 0.0000	1.0000 -----	
RCGD	0.0036 0.4596	0.1185 0.0004	0.0819 0.0104	1.0000 -----

Source: Researchers' Computation (2024)

Variance inflation factors

The research conducted a variance inflation factor (VIF) test to assess the extent of multicollinearity present among the panel variables. The findings, as detailed in Table 5, indicated that the VIF values associated with all predictor variables were relatively low. This suggests that there is no notable multicollinearity within the model, and consequently, the coefficients derived from the analysis are expected to be robust and dependable. The highest VIF value observed was for the RMCM variable, recorded at 0.664322. However, this value remains well below the commonly accepted threshold of 10. This further reinforces the conclusion that there is no significant multicollinearity within the model, affirming the stability and reliability of the coefficients derived from the analysis. These results align with the outcomes of the correlation

analysis conducted earlier, which also indicated weak to moderate relationships among the variables without raising concerns of severe collinearity.

Table 5: Variance Inflation Factors

Variance Inflation Factors		
Variable	Coefficient Variance	Centered VIF
RMCS	0.009334	0.522019
RMCM	0.020886	0.664322
RCID	0.000010	1.270321
RCGD	0.000175	1.064861
C	0.745496	NA

Source: Researchers' Computation (2024)

The Effect of the Risk Management Committee on the ROA of Listed Insurance Companies on the Nigerian Exchange Group

The section examines the impact of risk committee management on the return on assets (ROA) of listed insurance companies in the Nigerian exchange group. Three regression models—pooled OLS, random effect, and fixed effect—are evaluated using model specification tests, detailed in Table 6. The Hausman test favors the random effect model over the fixed effect model. Subsequently, the Lagrange Multiplier test confirms the superiority of the random effect model over pooled OLS. Post-estimation tests, including the Panel Wooldridge heteroskedasticity test, reveal no significant heteroskedasticity in the model. Moreover, the Arellano-Bond Serial Correlation test indicates no serial correlation, with a non-significant p-value of 0.4800.

The R-squared and adjusted R-squared values are utilized to assess the model's explanatory power, revealing that the model accounts for 63.28% of the variation in the dependent variable, ROA. While a notable portion of variability remains unexplained, the adjusted R-squared value of 48.76 addresses overfitting concerns. The F-statistic of 11.619, with a p-value of 0.0002, indicates the model's statistical significance, affirming that the risk committee significantly influences the return on assets (ROA) of the sampled firms. Subsequently, the study examines the individual impact of risk committee management composition. The regression coefficient for RMCS (risk management committee size) is 0.0848, suggesting that a one-unit increase in RMCS leads to a 0.0848 percent increase in ROA. With a t-value of -1.1685 and a p-value of 0.0153, the coefficient is statistically significant at a 5%

level, indicating that RMCS negatively impacts ROA. This implies that larger committee sizes may elevate risk management costs, thereby reducing firm profits and diminishing ROA.

The study further explores the potential impacts of risk management committee characteristics on the return on assets (ROA). It highlights concerns regarding larger committee sizes, suggesting that they may hinder decision-making processes and communication, potentially resulting in suboptimal decisions and performance. Conversely, the analysis reveals a positive association between the frequency of risk management committee meetings (RMCM) and ROA. A coefficient of 0.0294 suggests that a one-unit increase in RMCM correlates with a 0.0294 percent rise in ROA. This relationship is statistically significant at the 5% level, indicating that more frequent meetings can enhance risk management effectiveness and financial performance by promoting accountability and transparency. However, the study finds no statistically significant effects on ROA for the variables measuring the independence (RCID) and gender diversity (RCGD) of the risk management committee. With coefficients of -0.0045 and -0.0006 and p-values of 0.2111 and 0.2651, respectively, changes in these variables do not appear to correlate with significant alterations in ROA. This suggests that having an independent or gender-diverse risk management committee may not necessarily lead to improved financial performance.

Table 6: Regression Estimate of Effect of the Risk Management Committee on the ROA

Dependent Var: ROA									
	Pooled OLS			Random Effect Model			Fixed Effect Model		
	Coeff.	t-value	p-value	Coeff.	t-value	p-value	Coeff.	t-value	p-value
RMCS	-0.1619	-1.1853	0.0094	0.0848	1.1685	0.0153	-0.0655	-0.5657	0.1360
RMCM	-0.0707	-0.3461	0.2448	0.0294	1.1601	0.0157	0.3162	0.3263	0.2609
RCID	0.0036	0.2517	0.3077	-0.0045	0.4103	0.2111	-0.0105	-0.9321	0.0689
RCGD	-0.0072	-0.3866	0.2202	-0.0006	-0.3197	0.2651	-0.0034	-0.1747	0.3654
C	2.29995	1.8836	0.0001	2.2200	2.5718	0.0027	2.0135	1.4942	0.0032
R-squared	0.0790			0.6328			0.6224		
Adjusted R-squared	0.0394			0.4876			0.4414		
F-statistic	3.9952			11.619			6.8780		
Prob(F-statistic)	0.1928			0.0002			0.0000		
Hausman test	11.3054(p=0.4532)								
Panel	118.6742(p=0.1802)								
Wooldridge heteroskedasticity test									
Lagrange Multiplier Tests for Random Effects	54.26878(p=0.0000)								
Arellano-Bond Serial Correlation Test	0.025067, (p=0.4800)								

Source: Researchers' Computation (2024)

Discussion of Findings

Over the years, the Nigerian insurance industry has witnessed significant growth and evolution, driven by factors such as increasing awareness of the importance of insurance, regulatory reforms, and technological advancements. The primary objective of this research is to investigate the extent to which the composition, structure, and activities of the risk management committee impact key financial performance metrics such as return on assets (ROA). The results analysis found that risk management committee size and risk management committee meetings had a positive significant effect on financial performance of listed insurance companies in Nigeria. This implies that companies with larger risk management committees and more frequent meetings are likely to perform better financially compared to those with smaller committees or fewer meetings. It suggests that having a broader pool of knowledge and experience within the committee can lead to more effective identification, assessment, and mitigation of risks, thereby positively influencing financial performance. The frequency of meetings held by the risk management committee is another significant factor. More frequent meetings imply a higher level of attention and engagement with risk management processes. When the committee meets regularly, it allows for timely discussions, updates, and decision-making regarding risk-related matters.

On the other hand, the results revealed that risk management committee independence and risk management gender diversity had a negative insignificant effect on the financial performance of the listed insurance companies in Nigeria. However, the results indicated that the level of independence of the risk management committee did not significantly affect the financial performance of the listed insurance companies in Nigeria. This suggests that factors such as committee composition, decision-making processes, or organizational culture may have mitigated the potential positive impact of independence on financial outcomes. Diversity, including gender diversity, is often considered beneficial for decision-making processes, bringing a variety of perspectives and experiences to the table. However, the results suggest that gender diversity within the risk management committee did not have a significant effect on the financial performance of the listed insurance companies in Nigeria. This finding may indicate that other factors, such as the quality of risk management practices or overall corporate governance structures, play a more substantial role in determining financial performance.

The overall results showed that risk management committee demonstrated a positive and significant effect on the financial performance of listed insurance companies in Nigeria. The statement suggests that, in general, the presence and effectiveness of a risk management committee within listed insurance companies in Nigeria have a positive and significant impact on their financial performance. This result underscore the presence and activities of the risk management committee contribute positively to the financial outcomes of the listed insurance companies in Nigeria, and this impact is not merely due to chance or random variation.

CONCLUSION AND RECOMMENDATIONS

The research delves into the Nigerian insurance industry's growth and evolution, propelled by factors like increased awareness, regulatory reforms, and technological advancements. Its primary aim is to assess how the composition, structure, and activities of risk management committees influence key financial metrics, particularly return on assets (ROA), within listed insurance companies in Nigeria. The analysis indicates that larger risk management committees and more frequent meetings positively affect financial performance. This suggests that a diverse pool of knowledge and experience aids in identifying, assessing, and mitigating risks, leading to improved financial outcomes. However, factors like committee independence and gender diversity had negligible effects on financial performance, indicating that other organizational aspects may overshadow their influence. In conclusion, the presence and efficacy of risk management committees significantly impact the financial performance of listed insurance companies in Nigeria. Larger committees and more frequent meetings correlate with better financial outcomes, emphasizing the importance of robust risk management practices. While independence and gender diversity within committees did not show significant effects on financial performance, other organizational factors may mediate their impact. Overall, the research underscores the critical role of risk management committees in enhancing financial performance within the Nigerian insurance sector.

Based on the findings, several recommendations are made to enhance the effectiveness of risk management committees in listed insurance companies in Nigeria:

- i. Companies should strive for diverse committee compositions to leverage a broader range of expertise and perspectives.

- ii. Management should increase the frequency of committee meetings can foster more proactive risk management strategies and decision-making processes.
- iii. Insurance companies should encourage active participation and engagement within risk management committees can facilitate more robust risk identification, assessment, and mitigation efforts.
- iv. While independence may not directly influence financial performance, management are to ensure adequate checks and balances within the committee structure can promote effective governance.
- v. While gender diversity may not have shown significant effects, companies should continue exploring diversity initiatives to enrich decision-making processes and organizational culture.

This research contributes to the understanding of the relationship between risk management committees and financial performance within the Nigerian insurance industry. By highlighting the significance of committee size and meeting frequency, it underscores the importance of proactive risk management practices in driving financial success. Additionally, the findings provide insights into the nuanced effects of committee independence and gender diversity, offering avenues for further exploration into organizational dynamics and governance structures within the insurance sector. Overall, this study adds to the body of knowledge on risk management and corporate governance in emerging market contexts, providing valuable insights for practitioners, policymakers, and researchers alike.

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