Risk Management Committee Characteristics' Effects on Listed Companies' Earnings Quality

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Abstract: This study evaluates how the characteristics of RMC (independence and diligence) impacts on listed companies' earnings quality with 70 firms for ten year (2012-2021) using a comprehensive earnings quality model. It emphasizes the necessity of creating a separate and stand-alone subcommittee aside from the board entrusted with the responsibility for the setting and implementing firm's risk overall policies including appetite and limit. According to the OLS analysis used to analyze the hypothesis, RMC characteristics have no appreciable impact on the listed firms' profitability reporting. Conclusively, The absence or near absence of effective risk policy, planning and determination of company's risk appetite and tolerance, regular performance of risk assessment and monitoring is detrimental to the growth and survival of firms and can lead to poor staff remuneration, unemployment, loss investments by investors in case of corporate failure resulting from board's blindness to opportunities and rewards; and recommends that Management of companies and/or regulatory bodies should lay emphasis on the kind of people that make risk committee as it relates to earnings quality and continue to maintain reasonable standards in line with the current practices of companies within the sector.

Keywords: Corporate Governance; Board Committee Independence; Board Committee Diligence; Risk appetite; Comprehensive model

JEL Classification: G32

1. Introduction

Corporate Governance in recent times have occupied utmost position in prioritizing the economic process that engenders the growth in countries, improved reporting and audit quality amongst other (Jeroh, Ekwueme & Okoro, 2015; Bansal & Sharma, 2016; Ideh, Jeroh & Ebiaghan, 2021). As a result, nearly all nations in the globe are introducing new corporate governance regulations that will impact managers' motivations to improve shareholder wealth maximization. Corporate Governance are systems of interconnected principles and guidelines by which a corporate organization is managed and controlled to achieved its corporate strategy. According to good governance practices, managers should prioritize the best interests of shareholders. A good governance structure will produce accurate reporting of industry conditions and management's effective utilization of resources.

The governance structure of corporate bodies in Nigeria underwent significant changes in 2018 with the introduction of a new corporate governance code, particularly in relation to matters involving the composition of the Board and its respective committees, which include the risk management committee among others. The Risk Management Committee (RMC) manages company risk policies and is accountable for the global operations' management, assessing and managing internal risks and to manage the execution of the global risk system management in the organization. The RMC has the

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onus of assisting the company's board in carrying out its regulatory duties vis-à-vis the corporation's risk tolerance and the risk control that enforces the process and the supremacy and/or authority system that governs it. Risk tolerance, the extent and risk type that a company is capable of and ready to bear in its risks and market practices within her industry, despite its corporate priorities and stakeholder responsibilities.

As firm's asset, RMC helps firms to meet its corporate goals and improves the financial statements quality devoid of material misstatement thus facilitating the company's integrity, and eventually to enhance the competency of the company. It is accountable for reviewing, tracking, and assessing the principles, practices, procedures, systems, and regulation of risk management, that should create a stronger framework for risk's management which engenders good earnings management such that the risks posed management opportunistic behaviour will be reduced. The incessant and persistent collapse of many organizations may have informed the needs to have a separate and stand-alone sub-committee aside the board that would be responsible for the setting and implementing of firm's risk overall policies including appetite and limit. Business failures are consequential result of poor and inappropriate risk management mechanism (Davies, 2013; McShane, Nair, & Rustambekov, 2011).

Every organization excluding charitable organizations is profit maximizing. Following from the above, it is evident that lack of adequate framework for management of risk was among the key causes of firms' failure in Nigeria and also it was due to the failures of RMC to discharge their duty and functions accordingly that lead to the collapsed of some notable organisations in Nigeria. For instance, Cadbury Nig. Plc. chronicled a series of mismanagement in 2006 due to misrepresenting its financial and accounting reports, indicating that it overstated its profit figures by millions of Nigerian Naira. (Salaudeen, Ibikunle & Chima, 2015). Similarly, by the management's report, Afribank Nigeria had high profits despite accusations by a former executive arguing that the Board of Directors collaborated with its auditors to alter the underlying accounts. (Mmadus & Akomolafe cited in Salaudeen, Ibikunle & Chima, 2015). Uadiale in 2010 documented that the Nigerian banks' cases of accounting fraud were due to the board abandoning their accountability to shareholders to managers who care mostly for their individual interest. The case was accounted for, that in 2009, Bank's such as Oceanic Bank, Intercontinental Bank, Union Bank, Afri Bank, Fin Bank and Spring Bank fell victim to this while Great Nigeria left the industry voluntarily from the business due to poor and improper risk management in 2019 (Monye-Emina & Jeroh, 2014; Ibrahim, Okika, Yunusa & Janada, 2020).

It is remarkable that there have been several robust empirical assessments on RMC attributes and the magnitude to which they affect financial performance such as Elamer and Benyazid, (2018) and Malik, (2017) abound with mixed and conflicting results, with some agreeing while others disagreeing with important theories of RMC across the world. These diverse outcomes call for further research. Worthy of note, the few the empirical studies documented in Nigeria have focused on RMC in banking and insurance sector (Kakanda, Salim & Chandren, 2017; Jimoh & Attah, 2017; and Ibrahim, Okika, Yunusa & Janada, 2020) with little or none in the non-financial service sector making it difficult to produce a convincing result, and this creates another experimental vacuum that needed to be filled; therefore evaluating how the characteristics of RMC (independence and diligence) impacts on the companies' reported earnings quality on is worthwhile.

In light of the aforementioned, the following study hypothesis was developed and expressed in null form.

Ho_1 RMC independence does not substantially impact earnings quality of companies

Ho_2 RMC diligence does not substantially impact earnings quality of companies

The study would be important in producing insights to relevant parties in the company which includes but not limited to investors, government agencies, creditors, business professionals, accounting practitioners, employees, regulatory authorities and the literature on RMC characteristics and earnings quality. The study which considers the influence of RMC attributes on listed non-financial companies' earnings quality covers ten years from 2012 to 2021. The paper is divided into sections. Section II concentrated on the literature review, while Section III highlighted the design, data, and methods. The results were covered in the fourth portion, while the overall conclusion and the study's recommendations were covered in the fifth and final section.

2. Literature Review

2.1. Risk Management Committee (RMC)

The Nigerian Corporate Governance Code, NCGC (2018) unambiguously stated that any company's board may create RMC to assist the board of directors (BOD) in its oversight responsibility for the risk obligations, system and scheme to be set up and serve as an independent BOD stand-alone Committee. In accordance with this clause, the committee is required to review and recommend the company's information technology (IT) data governance framework, at least annually; which may include the development of IT strategy and policy; proactive monitoring and management of cyber threats and attacks as well as adverse social media incidents; management of risks relating to third-party and IT service providers sourced from outsiders; carry out assessment of value delivered to the company through investments in IT; and undertake periodic independent assurance on the company's IT arrangements efficacy.

The Board sub-committee also has the responsibilities of establishing a sound framework for managing risks and ensuring effective internal control. This framework for risk management will be approved by the board, communicated to employees in clear language and integrated into day-to-day operations of the business. The company practices as regards risk management issues in board meetings vary widely and largely on the size of the company, its department, its current economic and financial environment, and its previous experience with risk management deficiencies. Some research (Abdullah, Shukor, & Rahmat, 2017; Abdullah & Said, 2019) revealed that the RMC have been effectively playing their role especially in terms of control, prompt detection leading to prevention of financial risk. It was documented that the existence of stand-alone RMCs correlation to risk management disclosure is significantly positive (Abdullah et al., 2017) and that more skilled members are expected to be on the risk management committee with specialised knowledge about risk management (Ugwu, Ekwochi & Ogbu, 2021). The attributes of the RMC studied are independence and diligence.

2.2. Independence as Attributes of Risk Management Committee

The capacity of a board to monitor effectively is dependent on the board's independence from its management. The participation of non-executive Independent directors is typically considered by Abubakar et al. (2018) as a good sign that management is duly supervised board. Hence they remarked that RMC independence is determined by the magnitude of non-executive, independent directors in the RMC. Subramaniam, Mcmanus, & Zhang (2009) opined that with substantial number of non-executive directors, the board stands the chance to analyse risks better; that RMC establishment is a necessary tool that assist the board in fulfilling their risk management oversight function as contrasted with boards having less numerical strength. Previous studies such as Dalton, Daily, Ellstrand, and Johnson (1999); Shleifer and Vishny (1997), revealed that boards can only resist the influence of the executive management if only they are sufficiently independent from the management. They explained further that the obligation of independent executive directors is to align the behaviour of manger that are related to risk taking activities and it was argued that the independent non-executive care more about their status; hence they will demand higher quality governance than executive directors. Uzun, Szewczky, and Varma (2004) stated that organisations known for better governance and fewer fraud accusations are characterized with a substantial number of non-executive independent directors.

2.3. Diligence as Attributes of Risk Management Committee

The sole aim of instituting RMC is to identify, assess, evaluate, manage and communicate corporate risks on a regularly with diligence to avoid delay in managing risk. The diligence as an aspect of the board's effectiveness is the determination, conscientious and perseverance showed in carrying out their assignment and this is measured in terms of meeting frequency. According to Elamer and Benyazid, (2018), risk committee diligence as a measure of the frequency meetings that the RMC members hold; to discuss and address relevant issues concerning the firms' risks. Corollary, Abbott and Parker (2000), stated that the more a committee utilizes diligence, the better it is at disclosing and assessing a company's risks which in turn lead to raising cogent issues that are beyond the shareholders' risk appetite. Studies such as Abdullah and Ismail (2015); Chou and Buchdadi (2017) confirmed that the more the RMC holds meeting frequently, the more they will ensure diligence.

2.4. Empirical Review

Malik (2017) investigated enterprise risk management and the performance of the UK companies with 260 business- year using OLS regression from 2012 - 2015. The study revealed the Tobin's Q was significantly and positively influenced by ERM while size of risk committee is positively insignificant with ERM.

Jimoh and Attah (2017) conducted a study on RMC attributes and bank performance in Nigeria with 15 listed banks on the floor of the Nigeria Stock Exchange from 2014 - 2016. The multiple regression techniques applied revealed that all variable risk governance except the size of a risk committee is positively related to returning on assets as indicators of bank performance.

Kakanda, Salim and Chandren (2017) evaluated the characteristics of RMC effects on firm market performance in Nigeria with 45 firms data analyzed from 2012 - 2016. The result of panel corrected standard errors (PCSEs) regression model found that RMC size is significant and negative while RMC composition and meeting revealed a positively significant effects on firms' performance..

Elamer and Benyazid (2018) analysed risk committee and its impact on financial performance in the UK financial sector from 2010 to 2014. The ordinary lease square (OLS) regression model was used to analyse the 23 listed FTSE-100 benchmark financial institutions; and the study showed a negative association between risk committee and the financial productivity; indicating that companies without established risk committee performed very well compared to companies with risk committee.

Abubakar, Ado, Mohammed and Mustapha (2018) examined RMC impact on performance of Nigerian listed banks between 2014 and 2016 with 14 banks. It was concluded after analyzing the data that RMC independence and board financial knowledge revealed that ROA is negatively influenced significantly while a positive insignificant influence was noticed with RMC size.

Sani, Latif and Al-dhamari (2018) analysed the RMC effect on sales manipulation in Nigeria between 2012 - 2016. The result of the 80 sampled firms from panel correction standard error regression (PCSE) analysis, found that RMC independence reduce reported earnings manipulation by management.

2.5. Theoretical Framework

2.5.1. Agency Theory

The agency theory which was postulated by Jensen and Meckling in1976 was centred on the exploration of the problem of ownership-control separation. Jensen and Meckling (1976) suggested that managers of other people's money cannot be expected to administer with reasonable care; the same anxious vigilance that one would expect from the owners and therefore the resultant negligence experienced in the management of company's affairs. This theory established the relationship between the stakeholders, the shareholders and the agents, the managers, and held that managers cannot, on their own, optimize shareholders' returns unless proper governance mechanisms are placed in place to protect shareholders' interests (Jensen & Meckling, 1976).

Agency theory advocates contend that division of ownership and power leads to moral hazard issues, where agents behave to gain personal advantages at shareholders' expense. Efficient board monitoring can be a great benefit to curb these behaviours. The Board's monitoring success, according to Kibiya, Che-Ahmad and Amran (2016), is contingent, to a very large extent on the Board's sub-committees' functionalities. Similarly, Nayeri and Salehi (2013) analyses of agency theory roles in implementing managerial control is firmly established. This study will add to the existing literature by adopting this theory in explaining the RMC attributes and its influence on earnings management of listed non-financial service firms.

3. Methodology

3.1. Research Design, Population, Sampling and Data

Since this study relies on secondary data that was obtained from companies' financial statements, the research strategy used was the Ex-post facto design. Data were therefore collated from companies' accounts that were downloaded from their respective websites for the years 2012 through 2021. Included in the study population are all non-financial companies. In line with prior studies (Monye-Emina & Jeroh, 2014; Jeroh, Ekwueme & Okoro, 2015; Ideh, Jeroh & Ebiaghan, 2021); the judgmental sampling technique was employed, and a total of 70 companies were selected as the study's sample.

3.2. Variables' Measurement and Description

3.2.1. Dependent Variable

Earnings quality is the study's dependent variable (EARNQ). The quality of reported earnings is measured as a function of the level of earnings management.

3.2.2. Independent Variable

A metric of corporate governance practice (Risk Management Committee Attributes) serves as the study's independent variable

Table 1. Definition of Variables

VARIABLES	PROXY	CODE	DESCRIPTION/MEASUREMENT
RISK COMMITTEE STRUCTURE	RISK COMMITTEE INDEPENDENCE	RCMIND	The proportion of independent directors in the risk committee to total committee members.
	RISK COMMITTEE DILIGENCE	RCMDIL	The yearly number of the risk committee meetings.
CONTROL VARIABLES	MARKET CAPITALIZATION	MCAPL	Logarithm of Market Capitalization of firms in Naira.
	REVENUE GROWTH	GRWT	Current Year Sales – Previous Year Sales / Previous Year Sales

Source: Researcher's Compilation

3.3. Model Specification

The researcher created the models for this study in accordance with its goals and hypotheses. This study adopts the comprehensive (holistic) model that combines the ideologies of both accrual-based models and real earnings management developed by Efenyumi (2021). To do this, we coupled the residuals from the 2006 Roychowdhury-created real earnings management model with the residuals from the model of Kothari et al. (2005), to detect earnings manipulation using discretionary accruals (DACC) so that our study's model is specified thus.

Based on the aforementioned, the following model is developed to test the hypothesis.

$$EARNQ_{it} = \beta_0 + \beta_1 RCMAttr_{it} + \beta_2 GRWT_{it} + \beta_3 MCAPL_{it} + \varepsilon_t \quad (1)$$

Since risk committee attributes is measured using risk committee independence and risk committee diligence, the above model is represented thus:

$$EARNQ_{it} = \beta_0 + \beta_1 RCMIND_{it} + \beta_2 RCMDIL_{it} + \beta_3 GRWT_{it} + \beta_4 MCAPL_{it} + \varepsilon_t \quad (2)$$

Where:

$EARNQ_{it}$	=	Earnings Management (Measured as indicated above)
RCMAttr	=	Risk Management Committee Attributes
RCMDIL	=	Diligence of members of risk committees of companies' Boards
RCMIND	=	Independence of risk committees of companies' Boards
GRWT	=	Growth in Revenue (Control Variable)
MCAPL	=	Market Capitalization (Control Variable)
$\beta_1 \dots \beta_3$	=	Regressors
$_{it}$	=	Firms at time t.
ε	=	Error Term (variables not captured in the model)

3.4. Techniques of Data Analysis

The data for this study were analyzed using STATA 13.0 software. Analyses were done through the application of the Ordinary Least Square (OLS) regression technique, Pearson Correlation Coefficient Analysis amongst others.

3.5. Test of Hypotheses

The developed hypotheses were tested using multiple regression and correlation coefficient approaches. To assess the veracity and dependability of the data set, methods such as the multicollinearity test, tests for heteroscedasticity, and correlation analysis were used.

Decision Rule

Whenever the calculated value of Fstat is higher that the corresponding table value, the decision is to reject the null hypothesis (Jeroh & Ekwueme, 2015). Additionally where the corresponding P-value exceeds the Alpha (α) value of 0.05, the result is deemed to be significant at 5% significance level.

4. Results and Discussions

4.1. Descriptive Statistics

There were 700 observations during the 10 years, as shown in Table 2 (2012 to 2021). Also noteworthy are the average values of the risk committee characteristics of independence and diligence, which are measured by the acronyms RCMIND and RCMIL, respectively, with corresponding standard deviations of 0.3923 and 1.7934. The low standard deviations for both variables show that the risk committees of the sampled organizations follow similar trends with little deviation of less than 2 percent in terms of independence and diligence.

Table 2 Study's Variables Descriptive Statistics Summary

Variables	Obs.	Mean	Std.Dev.	Min.Val.	Max.Val.
EARNQ	700	-0.0136	0.4817	-4.5001	2.6473
RCMIND	700	0.3656	0.3923	0	1
RCMDIL	700	1.5081	1.7934	0	12
GRWT	700	12.2764	81.0404	-100	1354.255
MCAPL	700	6.7777	0.967	4.7042	9.6205

Source: Researcher's Compilation

4.2. RCMAttr Measures and Earnings Quality Correlation Analysis

The results of the correlation study for the variables utilized to evaluate the relationship between earnings management and indicators of risk committee attributes are presented in this section. Note that outcomes of the correlation tests are usually used to investigate the relationship between the metrics for examined variables, with coefficients of less than 0.70 or 0.80 as indicators of absence of multi-collinearity issues (Jeroh & Okoye, 2015; Jeroh, 2020). In this way, the results of the correlation coefficient between independent variable pairs were also used to determine if multicollinearity existed among the measures of the independent variable—risk committee attributes or not. Revenue growth (GRWT) and market capitalization (MCAPL) were also employed as control variables in this study. Risk committee independence (RCMIND) and risk committee diligence (RCMDIL) were utilized to quantify the qualities of the risk committee. Table 3 below presents the findings of the correlation study for EARNQ, RCMIND, RCMDIL, GRWT, and MCAPL.

Table 2. Table Presenting Variables Correlation Result

	earnq	rcmind	rcmdil	revg	mcap
earnq	1.0000				
rcmind	-0.0804	1.0000			
rcmdil	-0.0926	0.7275	1.0000		
revg	-0.1209	-0.0360	-0.0298	1.0000	
mcap	-0.0948	0.2066	0.1832	0.0221	1.0000

Source: Researcher's Compilation

As previously mentioned, Table 3 displays the findings of the correlation study performed on the variables used to determine the association between measures of the attributes of the risk committee and earnings management. The findings show that the correlations between EARNQ and all of the explanatory factors (RCMIND, RCMDIL, GRWT, and MCAPL) are all, in turn, negative (-0.0804, -0.0926, -0.1209 and -0.0948). This indicates a negative link between these variables (RCMIND, RCMDIL, GRWT, and MCAPL) and EARNQ. Inferentially, the earnings management of corporations will decline by 0.0804 and 0.0926 units for every unit rise in the independence and diligence of the risk committee, respectively. Additionally, take note that the correlation coefficient between the independent variable's two measures (RCMIND and RCMDIL) is positive and has a value that is below the 0.8 threshold that has been previously established by empirical documentations (Jeroh, 2019).

Also, we noted that the measures of risk committee components have low correlations with the control variables GRWT and MCAPL, which recorded negative correlation coefficients with EARNQ. Also note that GRWT recorded negative correlation values with RCMIND and RCMDIL of -0.0360 and -0.0298 respectively, whereas MCAPL was found to have positive correlation coefficients with RCMIND and RCMDIL. Remember that whereas positive correlation coefficients indicate a positive link between two variables, negative correlation coefficients show a negative association between those same two variables. Recall that while positive correlation coefficients signify a positive linkage between pairs of variables, the negative correlation coefficients are indications of negative relationship between such pairs of variables.

With this finding, we can claim that the specified model which evaluates the correlation between measures of risk committee attributes and measures of earnings management, using levels of independence and diligence as proxies for those attributes—is accurate and did not exhibit signs of multicollinearity by obtaining values greater than the threshold of 0.8. The variables were also subjected to multicollinearity and other diagnostic tests in an effort to verify the aforementioned claim; the findings are, however, reported below.

4.3. Variables' Result of Multicolinearity and Heteroscedasticity Tests

This section presents the findings from the test to determine whether multicollinearity existed among the independent variables used to evaluate this study's hypotheses 1 and 2. The test for heteroscedasticity was also performed because the data are panel-based (unbalanced panel data), and the results are shown in Table 4 alongside those for multicollinearity using the Breusch-Pagan/Cook Weisberg and Variance Inflation Factor (VIF) tests, respectively.

Table 4.3 shows that the independent variable VIF values ranged from 1.00 to 2.15, with a mean VIF of 1.58. This is below the mean VIF threshold stipulated in prior studies (Jeroh, 2016; Odjaremu & Jeroh, 2019; Jeroh, 2020a), indicating that there was no multicollinearity among the independent variables. The test for heteroscedasticity result also showed that the fitted values' chi2(1) value is 388.06, with a corresponding p-value of 0.0000.

Table 4. Tests For Variables' Multicollinearity and Heteroscedasticity

		1. Test For Multicollinearity			
2. Variables	**3. RCMIND**	**4. RCMDIL**	**5. MCAPL**	**6. GRWT**	**7. Mean VIF**
8. VIF	9. 2.15	10. 2.13	11. 1.05	12. 1.00	**13.**
15. Tolerance	16. 0.464869	17. 0.469534	18. 0.954129	19. 0.997746	**14. 1.58**
20.					
		21. Test For Heteroscedasticity			
22. Chi2(1)		**23. 388.06**			
24. Prob>Chi2		**25. 0.0000**			

Source: Researcher's Compilation

The Breusch-Pagan/Cook Weisberg Test clearly demonstrates the absence of homoscedasticity (constant variance in error term), despite the fact that we both agree that the dataset for this study does not have multicollinearity issues. This is because the variance in the error term is not constant among the independent variables used to test hypotheses 1 and 2 of this study. To determine the most suitable instrument to use in testing the provided hypothesis, it is necessary to expose the data to further tests for normalcy. The Shapiro-Wilk W test for normal data was used to determine whether or not the data are normally distributed for this purpose. The outcome is shown in Table 4.4 in this regard.

4.4. Normality Test for Variables

Table 5. Result for Variables Normality Test

Variables	Obs	W	V	Z	Prob>z
EARNQ	700	0.89438	50.656	9.599	0.00000
RCMIND	700	0.98135	8.946	5.358	0.00000
RCMDIL	700	0.95239	22.835	7.650	0.00000
GRWT	700	0.33290	319.940	14.106	0.00000
MCAPL	700	0.96610	16.258	6.820	0.00000

Source: Researcher's Compilation

According to Table 5, all of the variables have significant values for the Shapiro-Wilk test (Prob>z) of 0.0000. (dependent variable and independent variables). The fact that Prob>z (0.00000) is always less than 0.05 indicates that all of the variables' data significantly depart from a normal distribution. The earlier position of the heteroscedasticity test is consequently supported by this result. According to the results of the tests for heteroscedasticity and normality, none of the conditions needed to perform an OLS regression analysis could be satisfied. As a result of the foregoing, the result of the Generalized Least Square (GLS) regression analysis served as the basis for our test of Hypothesis III.

4.5. Test of Hypothesis

The results of regressing the measures of risk management committee characteristics (independence and diligence) against the measure of earnings management for the sampled organizations in this study are shown in Table 6. This was done to test Hypotheses 1 and 2 of the study.

Table 6 Results for– RCMAttr and Earnings Quality

Hypothesis 1 & 2							**No. of Obs.: 700**
Dependent Variable	**Explanatory Variables**	**Coeff**	**Std. Err.**	**z**	**P > | z |**	**Wald Chi2(5)**	**Prob > Chi2**
EARNQ							
	RCMIND	-0.0603	0.03886	-1.55	0.121		
	RCMDIL	-0.0083	0.00824	-1.01	0.312		
	GRWT	-0.0002	0.00024	-0.73	0.468	**22.79**	**0.0001**
	MCAPL	-0.0273	0.01050	-2.60	0.009		
	_CONS	0.2159	0.06947	3.11	0.002		

Source: Researcher's Compilation

All of the explanatory variables RCMIND, RCMDIL, GRWT, and MCAPL recorded negative coefficients, though with relatively small values for their respective standard errors, as shown by the findings in Table 4.5. The model is fit and the assessment of the relationship by the model is with a significant level of precision, as indicated by the low values for the standard errors. It should be noted that the explanatory factors' negative coefficients show a negative relationship between RCMIND, RCMDIL, GRWT, and MCAPL and earnings management. The quality of earnings reported by corporations will specifically decline by 0.060259 and 0.008334 units for every unit increase in the independence and diligence of the risk management committee. At the 0.05 level of significance, this finding is not significant (P>|z| = 0.121 and 0.312, respectively). The quality of the earnings reported by listed non-financial companies will decline by 0.0001745 and 0.0273256 units for every unit rise in GRWT and MCAPL, respectively.

Decision

Whenever the calculated P-value exceeds the Alpha (α) value of 0.05, take the null hypothesis as true and accept, however, the null hypothesis is rejected if the calculated P-value is lower than the Alpha (α) value of 0.05. With the above result P-value 0.121 and 0.312 respectively; it is not significant at 0.05, the null hypotheses that risk management committees' attributes (independence and diligence) do not substantially impact earnings quality is accepted.

5. Conclusion and Recommendations

The value of z stat. reported for RCMIND, RCMDIL, GRWT and MCAPL are -1.55, -1.01, -0.73 and -2.60 respectively. This means that on an individual note, measures of risk management committee attributes may not exert significant influence on earnings quality of listed non-financial firms in Nigeria. The absence or near absence of effective risk policy, planning and determination of company's risk appetite and tolerance, regular performance of risk assessment and monitoring is detrimental to the growth and survival of firms and can lead to poor staff remuneration, unemployment, loss investments by investors in case of corporate failure resulting from board's blindness to opportunities and rewards. Risk committee without adequate knowledge and experience of the industry within which the company operates runs the risk of both internal (environmental) and external (government) risks that can give competitors and edge over them.

This study therefore concludes that measures of RMC independence and diligence do not exert substantial impact on earnings quality and thus recommended that Management of companies and/or regulatory bodies should lay emphasis on the kind of people that make risk committee as it relates to earnings quality and continue to maintain reasonable standards in line with the current practices of companies within the sector.

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