RISK MANAGEMENT COMMITTEE ATTRIBUTES AND EARNINGS MANAGEMENT OF LISTED DEPOSIT MONEY BANKS IN NIGERIA

Lukman O. Olarinde
Osun State University, Osogbo, Osun State
olarindelukman@yahoo.com

Adebayo Olagunju
Osun State University, Osogbo, Osun State
adebayo.olagunju@uniosun.edu.ng

Oluwatimileyin E. Adenle
Osun State University, Osogbo, Osun State
Oluwatimileyin.adenle@uniosun.edu.ng

Corresponding Author: olarindelukman@yahoo.com
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Abstract
The inconsistent financial reporting and performance of listed deposit moneybanks (DMBs)in Nigeria has raised concerns about the internal factors influencing the quality of their financial statements. Therefore, this study examined the effect of risk management committee attributes on the earnings management of listed Nigerian deposit money banks. The population of the study consisted of all 14 listed DMBsin Nigeria. A purposive sampling technique was employed to select 12 banks with complete data for the period of 2017 2024. Secondary data were obtained from annual reports of the banks. Risk management committee was proxy with risk committee gender (RCG) , risk committee independence (R CI) and risk committee size (RCS). Earning management was proxy with accrual (AEM) and real earnings management (REM).Descriptive statistics, correlation analysis and Generalized Method of Moments (GMM), were employed as the primary tools for data analysis. The outcome of the findings disclosed that RCS ($t = -3.615$; $p < 0.05$) had a negative and significant effect on accrual earnings only. The other variables did not exhibit a statistically significant effect on earnings management. The study concluded that RCS significantly influences accrual earnings management in listed Nigerian DMBs. The study therefore recommends that regulatory authorities and bank board's ensure an adequate and effective RCS in order to strengthen oversight functions and reduce the likelihood of accrual-based earnings manipulation.

Keywords: Deposit money banks,earnings management, risk management committee, size

1.0 Introduction

A defining feature of banking operations that heightens governance concerns is the extensive use of accounting estimates and judgments in financial reporting. Items such as loan loss provisions, asset impairments, and fair-value measurements require managerial discretion, which, if not properly monitored, can be used to smooth earnings or delay the recognition of losses. International evidence shows that banks often adjust such estimates in response to regulatory pressure, market expectations, or internal performance targets (Curcio et al., 2021; Ozili, 2024). Despite the growing body of literature on corporate governance mechanisms in banks, limited attention has been given to the specific role of risk management committee attributes in

constraining earnings management, particularly within emerging economies such as Nigeria. Most prior studies have focused broadly on-board characteristics or audit committees, leaving the governance role of the risk management committee relatively underexplored. This study therefore contributes to the literature by examining how specific risk management committee attributesnamely committee gender diversity, independence, and sizeinfluence both accrual and real earnings management in Nigerian deposit money banks.

In emerging markets, these practices are further influenced by weaker institutional enforcement, ownership concentration, and limited market discipline, making internal governance mechanisms particularly important in ensuring reporting credibility.

Corporate governance in banks has evolved significantly in response to these global developments. Unlike non-financial firms, banks operate under heightened regulatory scrutiny because of their leverage, interconnectedness, and fiduciary responsibility to depositors. Governance frameworks in the banking sector therefore extend beyond traditional board oversight to include specialized committees, such as risk and audit committees, and enhanced disclosure requirements aimed at improving financial reporting quality. Recent international standards stress that effective governance structures should limit excessive risk-taking, ensure the integrity of financial statements, and align managerial actions with the long-term interests of stakeholders (OECD, 2023; World Bank, 2022). Within this framework, earnings management has emerged as a critical governance concern, as the discretionary nature of bank accounting creates opportunities for managers to influence reported performance, potentially distorting the information available to investors, regulators, and the public (Dechow et al., 2002; Kothari et al., 2024).

The Nigerian banking sector remains a critical pillar of the national financial system, providing intermediation services essential for economic growth, financial inclusion, and macroeconomic stability. However, the sector has been repeatedly characterized by episodes of financial distress, regulatory interventions, and bank failures, largely attributed to weaknesses in corporate governance and deficiencies in financial reporting quality (Sanusi, 2010; Laeven & Valencia, 2018; Ozili, 2021).A central concern in the literature is the prevalence of earnings management, whereby bank managers use discretionary accounting choices such as manipulating loan loss provisions or related-party transactions to present misleading financial outcomes.

Closely related to board oversight is the effectiveness of risk management frameworks in deposit money banks. Given the inherently risky nature of banking operations, risk management committees are expected to play a central role in monitoring credit, liquidity, and market risks, as well as limiting the use of discretionary accounting choices linked to these risks (Ellul & Yerramilli, 2013). However, evidence from emerging economies suggests that weak risk governance often enables managers to manipulate risk-related accounting estimates to smooth earnings and mask financial vulnerabilities (Minton et al., 2014; Curcio et al., 2021; Ozili, 2024). In Nigeria, repeated bank failures despite the existence of formal risk committees raise questions about the extent to which risk management mechanisms actually constrain earnings management.

Consequently, the lack of comprehensive empirical evidence on how risk managementinfluence earnings management in listed Nigerian deposit money banks represents a significant gap in the literature. Addressing this gap is essential for advancing governance research in emerging economies and for providing regulators, investors, and policymakers with evidence-based insights to strengthen financial reporting quality and safeguard the stability of Nigeria’s banking sector.

The aim of this study is to examine the influence of risk management committee on earnings management of listed deposit money banks in Nigeria.

2.0 Literature Review

Risk Management Committee

The risk committee has become a central pillar of corporate governance in the banking sector, particularly following global and domestic financial crises that exposed weaknesses in board oversight and risk governance. In deposit money banks, the risk committee plays a critical monitoring role by overseeing credit risk, liquidity risk, market risk, and operational risk, all of which are closely linked to managerial incentives to engage in earnings management. Weak risk oversight can encourage managers to manipulate accounting estimates such as loan loss provisions or fair value measurements to smooth earnings, conceal deteriorating asset quality, or meet regulatory capital requirements.

However, empirical evidence on the effectiveness of risk committees in constraining earnings management remains mixed. Some studies argue that effective risk governance structures strengthen monitoring and reduce managerial opportunism. For instance, Ellul and Yerramilli (2013) report that banks with stronger risk governance frameworks exhibit lower risk-taking behaviour and improved financial reporting discipline. Similarly, Sadiq and Othman (2022) suggest that an active and well-structured risk committee enhances internal controls and improves earnings quality. Conversely, other studies contend that the mere existence or structural attributes of risk committees may not automatically constrain earnings manipulation. In some cases, larger committees may experience coordination problems and slower decision-making, potentially weakening monitoring effectiveness. Likewise, independence may be symbolic if independent members lack sufficient risk management expertise or access to timely information. Gender diversity has also produced mixed empirical results, as some studies associate female representation with stronger ethical oversight and transparency, while others find no significant impact on financial reporting behaviour.

The effectiveness of risk committee attributes can therefore be explained through several governance mechanisms. Larger committees may provide a broader range of expertise and perspectives, improving oversight and reducing the likelihood of managerial manipulation. Independent members are expected to exercise objective judgment and challenge opportunistic reporting practices due to reduced managerial influence(Aebi et al., 2012). Gender-diverse committees may enhance ethical sensitivity, risk awareness, and deliberation quality, thereby discouraging aggressive earnings management practices (Sadiq & Othman, 2022. Nonetheless, these governance mechanisms may function differently across institutional environments, particularly in emerging economies where enforcement structures and governance practices differ from developed markets.

Risk Committee Size

Risk committee size reflects the breadth of expertise, monitoring capacity, and diversity of perspectives available for overseeing bank risk-taking and financial reporting decisions. A sufficiently sized risk committee enhances the committee's ability to scrutinize complex banking operations, evaluate management's risk assessments, and challenge aggressive accounting choices. Larger risk committees are more likely to include members with diverse professional backgrounds in finance, accounting, and risk management, which strengthens their collective capacity to detect earnings manipulation practices embedded in discretionary accruals or judgment-based estimates

(Aebi et al., 2012). In the context of Nigerian listed deposit money banks, where financial products and regulatory requirements are increasingly sophisticated, a well-sized risk committee can improve oversight of provisioning policies and capital adequacy disclosures.

However, excessively large risk committees may suffer from coordination problems, free-rider behavior, and diluted accountability, which can weaken monitoring effectiveness. When decision-making becomes fragmented, management may exploit informational asymmetries to engage in subtle forms of earnings management without effective challenge. Empirical evidence from emerging markets suggests that beyond an optimal threshold, increases in committee size do not necessarily translate into stronger governance outcomes and may even impair the timeliness and quality of oversight (Al-Hadi et al., 2016; Nguyen et al., 2020). This implies that the relationship between risk committee size and earnings management is non-linear, underscoring the need to identify an optimal committee size that balances expertise with effective decision-making.

Risk Committee Independence

Independence of the risk committee is widely regarded as a cornerstone of effective risk oversight and high-quality financial reporting. Independent members are less likely to have personal or financial ties to management and are therefore better positioned to challenge opportunistic behavior, including earnings manipulation. In banking institutions, independent risk committee members play a crucial role in reviewing credit risk models, loan classification practices, and provisioning judgments that directly affect reported earnings.

In emerging economies like Nigeria, the importance of risk committee independence is further amplified by weak enforcement mechanisms, concentrated ownership structures, and historical governance failures. Independent risk committee members can act as a counterbalance to dominant executives or controlling shareholders who may pressure management to manipulate earnings for private benefit or regulatory compliance. Nevertheless, formal independence alone may not be sufficient if independent directors lack the technical expertise or institutional support required to perform their oversight role effectively. Recent evidence suggests that independence must be complemented by financial literacy and risk management competence to meaningfully constrain earnings management in banks (Nguyen et al., 2020; Sadiq & Othman, 2022).

Risk Committee Gender

Gender diversity on the risk committee has attracted growing scholarly attention as an important governance mechanism influencing ethical behavior, risk appetite, and financial reporting quality. Female directors are often associated with greater risk aversion, higher ethical sensitivity, and stronger monitoring intensity, which can contribute to reduced earnings manipulation. In the context of banking, gender-diverse risk committees may be more cautious in approving aggressive accounting estimates or income-smoothing practices, particularly during periods of economic uncertainty. Empirical studies provide evidence that the presence of women on board committees is negatively associated with earnings management and positively related to earnings quality (Peni & Vähämaa, 2010; Gull et al., 2018; Kyaw et al., 2023).

Beyond ethical considerations, gender-diverse risk committees benefit from cognitive diversity and broader perspectives in evaluating risk and financial disclosures. These diverse viewpoints can improve the committee's ability to identify red flags in financial reports and challenge managerial discretion. In Nigerian deposit money banks, where cultural and institutional norms have traditionally limited female representation at senior governance levels, increased gender diversity on risk committees may signal stronger commitment to governance reforms and transparency.

However, the effectiveness of gender diversity depends on meaningful participation rather than symbolic representation, as tokenism may limit the influence of female members on committee decisions (Terjesen et al., 2016; Nguyen et al., 2020).

Earnings Management

Earnings information may be utilized by managers to communicate valuable insights about a firm's performance to shareholders and creditors. When used in this way, earnings management can serve as a mechanism for conveying private managerial information about the company's financial condition, suggesting that it may not necessarily harm investors or the public. However, major corporate scandals such as those involving WorldCom and Enron significantly altered perceptions of earnings management, shifting attention toward its opportunistic nature. From this perspective, managers may manipulate reported earnings primarily to achieve personal benefits rather than to protect the interests of shareholders (Jiraporn et al., 2008; Hao, 2010).

Unlike financial fraud, earnings management generally involves the application of accounting choices and estimates that remain within the boundaries of Generally Accepted Accounting Principles (GAAP). This indicates that firms engaging in earnings management typically adjust reported earnings while still complying with accepted accounting standards. One common method is income minimization, where highly profitable firms deliberately increase expenses to reduce reported profits. This strategy may be adopted to lessen political scrutiny or minimize tax obligations (Ratsula, 2010).

Accrual-based earnings management (AEM) refers to managerial discretion in the application of accounting standards and estimates to influence reported earnings without altering underlying cash flows. This form of earnings management arises from the inherent flexibility embedded in accrual accounting, which allows managers to exercise judgment in areas such as loan loss provisioning, asset impairment, revenue recognition, and fair value measurement. In the banking sector, accrual-based manipulation is particularly prevalent due to the dominance of judgment-driven accounts, especially loan loss provisions and credit loss estimates, which significantly affect profitability and regulatory capital adequacy (Ozili, 2023).

REM involves deliberate managerial actions that alter actual business operations to influence reported earnings, often at the expense of long-term firm value.Although REMmay be less visible than accrual-based manipulation, its long-term consequences are often more damaging. By distorting lending decisions, reducing investment in risk management systems, or prioritizing short-term profitability over sustainable growth, REMweakens bank resilience and increases exposure to future financial distress. Such practices can also undermine the effectiveness of governance and whistleblowing mechanisms if operational manipulation is normalized within the organization. Recent literature underscores the importance of integrated governance frameworks including active risk committees and effective whistleblowing channels in detecting and discouraging REMby promoting ethical conduct, transparency, and accountability in banks (Kyaw et al., 2023; Sadiq & Othman, 2022).

Theoretical Framework

Agency theory, developed by Jensen and Meckling (1976), explains the conflict between principals (shareholders) and agents (managers), arising from information asymmetry and divergent objectives. In banks, these conflicts are particularly pronounced due to complex risk exposures and managerial discretion over accounting estimates such as loan loss provisions and

fair value measurements (Curcio et al., 2021). Weak monitoring can enable opportunistic behavior, including earnings management, which compromises financial reporting quality and transparency.

Agency theory emphasizes that monitoring mechanisms are necessary to align managerial behavior with shareholder interests. The risk management committee (RMC) serves as a board-level governance body tasked with overseeing risk exposures and related financial reporting practices, thereby mitigating agency problems in banks. Larger committees provide a wider range of expertise and perspectives, enhancing monitoring capacity and reducing information asymmetry (Abubakar et al., 2018). Independent members are better positioned to challenge managerial discretion, reducing the likelihood of earnings manipulation (Xie et al., 2003), while gender-diverse committees often enhance ethical sensitivity and risk awareness, further strengthening oversight and constraining opportunistic reporting (Berger et al., 2014).

Although direct evidence linking RMC attributes to earnings management in banks is limited, related studies indicate that these structural characteristics influence risk oversight and financial performance, and by extension, are expected to affect reporting quality and earnings management behaviors (Abubakar et al., 2018). From an agency theory perspective, RMC attributes function as governance mechanisms that improve monitoring quality, reduce managerial opportunism, and constrain earnings management in deposit money banks.

Stewardship Theory

Stewardship theory, in contrast, assumes that managers can act as responsible stewards of the organization rather than opportunistic agents (Davis et al., 1997). From this view, the risk management committee does not only monitor but also supports and empowers management to achieve firm objectives ethically and efficiently. Incorporating these complementary theories provides a more nuanced explanation of how structural and behavioral attributes of risk committees influence earnings management, beyond the control-focused lens of agency theory.

Empirical Review

Dagunro et al. (2025) examined the effect of RMC on the earnings quality (EQ) of listed Nigerian insurance businesses. Data were obtained from the annual reports of 23. Descriptive and inferential techniques, as well as correlation and panel regression, were applied. The discoveries showed that RCS and RCG had a negative noteworthyinfluence on EQ, while meeting frequency and RCI had a positive noteworthy effect.

Musa et al. (2024) investigated whether the RMC reduces EM among Nigerian listed non-financial firms. Using 365 firm-year observations from 2018–2022, the study applied the Driscoll–Kraay fixed-effects regression model. The results showed that RCS, expertise, meeting frequency, and overlap with the AC significantly reduce both AEM and REM, while RCI specifically decreases real EM. Overall, effective RMC structures were associated with lower earnings manipulation, though the effect differed across industries.

Efenyumi (2022) examined how RMCfeatures, particularly independence and diligence, affect the earnings quality (EQ) of 70 listed firms from 2012–2021 using a comprehensive EQ model. The study highlighted the need for a distinct, independent subcommittee to manage enterprise risk policies. However, OLS regression results showed that RMC characteristics had no substantial impact on earnings quality.

Elhaj (2022) investigated the role of RCM in reducing real EM among Malaysian listed firms. Using 438 firm-year observations from 2016–2018 and the FGLS regression technique, the study discovered that RMC size, diligence, and members' professional qualifications significantly reduce real EM. However, RCI showed no substantial effect on earnings manipulation.

Armaya'u et al. (2018) examined the impact of RMC on REM among 80 Nigerian non-financial firms from 2012–2016 using 400 observations. Using panel-corrected standard error (PCSE) regression, the study found that effective and independent RMC help reduce earnings manipulation through real activities.

3.0 Methodology

The study utilized an expo-facto research design.All Deposit Money Banks (DMBs) listed on the Nigerian Exchange Group between 2017 and 2024 make up the study's population. This design is appropriate as it allows the researcher to analyze pre-existing data without manipulating the independent variables, which are naturally occurring and cannot be experimentally controlled. Since the study relies on secondary data from bank annual reports, the ex-post facto approach enables the investigation of relationships between risk committee attributessuch as size, independence, and gender compositionand earnings management behaviors over time, while maintaining ecological validity.As of the end of 2024, there were fourteen (14) DMBs listed on the Nigerian Exchange Group, according to data retrieved from the NSE website.

Two factors led the analysis to concentrate on the listed deposit money banks. The first is that, in contrast to other subsectors of Nigerian corporate entities' financial sector, banks are subject to stricter regulations. The second is that banks and other subsectors have slightly different financial reporting frameworks, which makes comparison challenging and unrealistic. In addition, the banking sector operates on a higher scale and combining firms in banking sector with that of other sector may result in outliers that would undermine the findings in this study. 12 banks were selected from 14, these are banks whose shares are actively traded at the stock market and with complete data for the study period.The data used in the study are secondary in nature in order to meet the study's goals. The annual reports of the selected banks from 2017 to 2024 served as the source of the information on RMC and earnings management.This study employed both descriptive and inferential statistics to achieve the objectives of this study.

Measurement of Variables

Table 1:
Measurement of Variables

Variables	Independent Variable (Firm Characteristics) Proxy by the Following Variables Variable Label	Measurement	Previous Authors that used similar -Measurement	Expected Sign
Risk Management Committee				
Risk committee size		Number of directors on the risk committee	Musa et al (2024)	+/-
Risk committee financial expertise		Members with financial qualification divided by total numbers on the committee	Oladejo et al (2023)	+/-
Risk committee independence			Musa et al (2024)	+/-

		Proportion of non-executive directors on the committee to the total directors	Oladejo et al (2023)	
Dependent Variable (Earnings Management) Proxy by the Following Variables				
Earnings Management			Warrens (2021)	
Accrual Earnings Management		Absolute discretionary component from Modified Jones Model	Nguyen et al. (2021)	
Real Earnings Management		Absolute residual component from Roychowdhury (2006) production model	Mellado and Saona (2020)	
Control Variables				
Firm Age	FAGE	Log of Number of years firm of incorporation	Ige et al. (2026)	+ -
Firm Size	FS	Log of Turnover	Adebayo et al. (2025)	+ -

Source: Author's Compilation, 2026.

Model Specification

The model specification presented in this section are presented in line with the objective stated in this study. The models are specified by relying on the theoretical framework and the submissions of previous related empirical literature. Specifically, the study adopts the model of Warrens (2021) on corporate governance mechanism specifically focusing on Risk Management committee and earnings management.

In this study, the lagged dependent variablesspecifically $AEM_{i,t-1}$for accrual-based earnings management and $REM_{i,t-1}$for real earnings managementare incorporated in the dynamic panel GMM model to account for persistence in earnings management over time. Earnings management behaviors are often continuous and influenced by prior periods' managerial actions, as managers may smooth earnings or continue opportunistic reporting practices across multiple periods. Including the lagged dependent variable also addresses dynamic endogeneity, since current earnings management may be correlated with past earnings decisions.The GMM framework is particularly suitable in this context, as it treats the lagged dependent variable as potentially endogenous and uses appropriate internal to obtain consistent estimates. This approach improves model accuracy by controlling for both unobserved firm-specific effects and the inherent persistence in managerial reporting behavior, ensuring robust inference regarding the influence of risk management committee attributes on earnings management.

The model is as stated below:
To determine the effect of Risk Management committee on Earnings Management of Listed Deposit Money Banks in Nigeria.

$$AEM_{it} = AEM_{it-1} + \delta_1 RCS_{it} + \delta_2 RCI_{it} + \delta_3 RCG_{it} + \delta_4 FAGE_{it} + \delta_5 FS_{it} + \omega_i + \varepsilon_t \ldots\ldots\ldots 1$$

$$REM_{it} = REM_{it-1} + \delta_1 RCS_{it} + \delta_2 RCI_{it} + \delta_3 RCG_{it} + \delta_4 FAGE_{it} + \delta_5 FS_{it} + \omega_i + \varepsilon_t \ldots\ldots\ldots 2$$

Where:
EM_{it-1} = lagged of dependent variable ($DACC_{it-1}, REM_{t-1}$)
δ = autoregressive (persistence)
ω_i = Fixed-effect error term
ε = iid disturbance term and$\varepsilon \sim N(0, \sigma^2\varepsilon)$

AEM = Accruals earnings management
REM = Real earnings management
RCS = Risk committee size
RCI = Risk committee independence
RCG = Risk Gender
FAGE = Firm Age
FS = Firm size

4.0Results and Discussion

Table 2:
Descriptive Statistics

	Mean	Maximum	Minimum	Std. Dev.	Skewness	Kurtosis	Jarque-Bera	Obs.
AEM	0.063	0.666	0.000	0.093	3.673	21.279	153.20	96
REM	0.011	0.035	0.000	0.008	0.697	2.936	7.71	96
RCS	7.126	13.000	0.000	2.251	0.061	3.436	0.81	96
RCI	4.558	8.000	0.000	1.118	-0.077	6.289	42.91	96
RCG	1.168	4.000	0.000	1.028	0.664	3.041	6.98	96
FS	7.303	9.985	5.165	1.325	0.431	2.052	6.50	96
FAGE	1.519	1.732	1.000	0.153	-1.345	5.173	47.32	96

Source: Author's Compilation, 2026.

Table 2 presents the descriptive statistics for accrual-based earnings management (AEM), real earnings management (REM), and risk management committee (RMC) attributes. For AEM, the mean is 0.063, with a maximum of 0.666, a minimum of 0.000, and a standard deviation of 0.095. The large difference between the maximum and the mean suggests that some banks report relatively high levels of accrual-based earnings changes, resulting in a positively skewed distribution. The standard deviation indicates moderate variability in AEM across the sampled banks.

For REM, the mean is 0.011, with a maximum of 0.035, a minimum of 0.000, and a standard deviation of 0.008. This shows that, compared to AEM, the magnitude and dispersion of real earnings management are relatively low in the sample.

Regarding risk management committee attributes, the average committee size (RCS) is 7.126, indicating that most committees consist of about seven members. Committee independence (RCI) shows an average of four non-executive directors per committee, reflecting a moderate level of independence. The gender composition (RCG) averages 1.168 female members per committee, indicating low female representation. Overall, these descriptive statistics summarize the distribution and variability of earnings management measures and risk committee characteristics in the sampled deposit money banks, without implying direct causal behavior.

The distributional characteristics of the dependent variables were examined using skewness and kurtosis statistics. Accrual-based earnings management (AEM) has a skewness of 3.673 and a kurtosis of 21.279, indicating a highly right-skewed and leptokurtic distribution. This suggests that most banks report relatively low levels of accrual-based earnings changes, while a small number of banks report extreme values, resulting in heavy tails. Real earnings management (REM), in

contrast, has a skewness of 0.697 and a kurtosis of 2.936, indicating a distribution that is only mildly right-skewed and approximately normally peaked. These findings show that AEM exhibits greater asymmetry and outlier concentration than REM. Given these distributional properties, the Generalized Method of Moments (GMM) is appropriate for estimation, as it effectively addresses non-normality, extreme values, and potential endogeneity in dynamic panel data.

Table 3:
Correlation Matrix

	AEM	REM	RCS	RCI	RCG	FS	FAGE
AEM	1.00						
REM	0.06	1.00					
RCS	-0.19	-0.09	1.00				
RCI	-0.12	-0.05	0.71	1.00			
RCG	0.18	-0.06	0.44	0.38	1.00		
FS	-0.15	0.07	0.35	0.18	-0.01	1.00	
FAGE	-0.30	0.11	-0.10	-0.08	-0.07	-0.04	1.00

Source: Author's Compilation, 2026.

The results of the correlation coefficients provided in the analysis give some initial data on the relationship between accrual earnings management (AEM) and the independent and control variables.RCS (-0.19), RCI (-0.12), FS (-0.15) and Lage (-0.30) had negative connection with AEM. implying that the variables might be linked to slightly lower levels of accrual manipulation.

RCG (0.18) show the most significant positive correlations with AEM, which means that though weakly related to AEM in the considered sample it might be associated with higher level of AEM.For REM,RCS (-0.09), RCI (-0.05) and RCG (-0.06) had adverse and weak link. This suggest that they are linked with lower real manipulations while FS(0.07) and FAGE (0.11) show significant positive changes with AEM meaning there is just a small linear relationship in this sample. The correlation examination of the independent variables shows that there is no problem of multicollinearity in the study. All the pairwise correlations between the explanatory variables do not surpass the generally perceived threshold number of 0.70, indicating that the independent variables are not highly correlated with each other. This fact means that each of the variables provides distinct information and could be included in regression models without biasing the estimated coefficients because of multicollinearity and the results of the regression analysis could be interpreted confidently as to the individual effects of RCMon the earnings management.

Table 4:
Variance Inflation Factor

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
RCS	1.4415	1.3670	1.119
RCI	0.0013	2.5490	1.047
RCG	0.2317	2.3450	1.113
FS	4.8035	33.870	1.041
LAGE	0.0152	122.50	1.103

Source: Author's Compilation, 2026.

Risk Management Committee And Earnings

Variance Inflation Factor (VIF) analysis was conducted to assess multicollinearity among the risk management committee (RMC) variables and their relationship with earnings management. The uncentered VIF values were observed to be relatively high due to the variables' non-zero means, which is common in models with naturally scaled variables. To address this, centered VIFs were calculated, yielding values between 1.041 and 1.119, well below the conventional threshold of 10. This indicates that multicollinearity is not a concern in the model. These results suggest that each RMC variablecommittee size (RCS), independence (RCI), and gender composition (RCG)provides distinct explanatory power and that the regression estimates of their effects on earnings management are reliable and not inflated by inter-variable correlation.

Table 5:

Serial Correlation and Heteroskedasticity

Models	Test	Outcome
Risk Management Committee and EM	Serial Correlation (T-Stat = 7.809; p-value = 0.001)	Presence of serial correlation
	Heteroskedasticity (T-Stat = 2.182; p-value = 0.0519)	Presence of Heteroskedasticity

Source: Author's Compilation, 2026.

Table 5 which summarizes the results of the diagnosis tests used to evaluate the serial correlation and heteroscedasticity in the framework of the study objective, provides the results of the diagnostic tests. At the five percent level, the null hypothesis was rejected, which stated that there was no first-order correlation at this level and, consequently, proved the existence of serial correlation. Also, the Breusch-Godfrey test detected the heteroscedasticity and so the null hypothesis of homoscedasticity was rejected at 5 per cent level in the model. In this regard, the research took Generalized Methods of Moment in order to address the identified problems of endogeneity in the data.

Generalized Method of Moments

The Generalized Method of Moments estimator was used in this paper to overcome possible endogeneity and cross-sectional dependence concerns, which made conventional panel regression inappropriate. Preliminary tests found some evidence of heteroskedasticity and contemporaneous correlation between firms, which can bias the standard error and invalidate any attempt at relying on a statistical conclusion based on the traditional fixed- or random-effects equation. The GMM methodology solves these problems by offering standard errors that are robust and explain heteroskedasticity as well as contemporaneous correlation across panels and hence yield more credible coefficient estimates. The approach is especially suitable because it allows the use of instrumental variables to identify causal relationships.

Table 6:

Risk Management Committee and Accrual Earnings

Variables	Coeff	Std. Error	t-Stat	Prob
AEM(-1)	0.234	0.051	4.566	0.000
RCS	-0.188	0.052	-3.615	0.047
RCI	0.006	0.030	0.206	0.837
RCG	0.013	0.022	0.564	0.575
FS	-0.012	0.010	-1.242	0.219

FAGE	-0.092	0.126	-0.727	0.470
Sagan Test	5.942			
J stat p-value	0.429			
AR (2) P-value	0.925			
Wald Chi^2	123.96			
p-value	0.000			
Instrument rank	12			

Source: Author's Compilation, 2026.

The results in Table 6 show a J-statistic value of 5.942 with a p-value of 0.429, indicating that the instruments used are valid since the null hypothesis of over-identifying restrictions cannot be rejected. The AR(2) test p-value of 0.925 suggests no second-order serial correlation. Additionally, the Wald test ($\chi^2 = 123.96$, $p = 0.000$) shows that the RMC variables and control variables jointly have a significant effect on EM.

Regarding the accrual earnings management (AEM), the research concludes that the RCS had statistically noteworthy impact on the discretionary accrual manipulation. When RCS is larger, accruals earnings will decrease by 18%. RCG and RCI were found to have no notable impact on accrual earnings management. The control variables firms' size and FAGE were also found to have no significant effect on AEM.

Table 7:
Risk Management Committee and Real Earnings

Variables	Coeff	Std. Error	t-Stat	Prob
REM(-1)	-0.123	0.222	-0.554	0.581
RCS	0.002	0.001	1.886	0.264
RCI	-0.003	0.003	-1.031	0.306
RCG	0.001	0.001	0.442	0.660
FS	-0.005	0.002	-2.097	0.040
FAGE	-0.017	0.048	-0.352	0.726
Sagan Test	5.985			
J stat p-value	0.424			
AR (2) P-value	0.683			
Wald Chi^2	74.402			
p-value	0.000			
Instrument rank	12			

Source: Author's Compilation, 2026.

The results in Table 7 show a J-statistic value of 5.985 ($p = 0.424$), indicating that the model instruments are valid since the null hypothesis cannot be rejected. The AR(2) test ($p = 0.683$) shows no evidence of second-order serial correlation. Also, the Wald test ($\chi^2 = 74.402$, $p = 0.000$)

indicates that the risk management committee and control variables jointly influence earnings management.

With respect to real earnings management (REM), the findings reveal that the attributes of the RMC do not have a statistically noteworthy effect on REM. Similarly, the control variablesFSZ firm age (FAGE) were found to have no noteworthy effect on AEM. However, while firm size was found to have a substantial impact on REM, firm age (FAGE) did not show any statistically significant influence on REM.

Discussion of Findings

Risk Management and Earnings (REM and AEM)

The results show that only RCS has a negative impact on accrual-based earnings management, while the risk committee independence and gender have nosignificant effect on accrual earnings management. RMC was found to have no significant effect on real earnings management (REM).Economically, the negative relationship between RCS and accrual-based earnings management (AER) suggests that larger committeesup to an optimal pointenhance oversight of accounting decisions that involve managerial discretion. In banks, accrual manipulation often involves complex estimates such as loan loss provisions or impairment allowances.

A larger risk committee can bring a broader set of skills, perspectives, and scrutiny to bear on these estimates, making it more costly for managers to engage in opportunistic reporting. In contrast, the insignificant effect on REMwhich involves operational decisions like altering lending practices or timing of transactionsimplies that the formal risk committee's oversight may be less effective in curbing behaviors embedded in day-to-day management decisions, which are harder to observe purely through governance forums. This is consistent with agency theory, which posits that governance mechanisms reducing informational asymmetry and increasing monitoring capacity should constrain managerial opportunism where it is observable (Jensen & Meckling, 1976), but may be less effective for decisions deeply embedded in operational discretion.

Recent empirical studies provide mixed support for these results. For example, evidence from Nigeria and other emerging markets shows that risk committee size and expertise are negatively associated with both accrual-based and REM, indicating effective oversight when committees are appropriately structured (Musa & Majid, 2024; Abubakar et al., 2024). One study on Nigerian firms finds that both RCS and expertise reduce earnings manipulation, with RCI particularly curbing REM, supporting the importance of robust committees in mitigating earnings management practices. These studies align with finding on accruals and suggest that well-constituted committees can improve reporting quality.

However, other recent evidence contradicts or qualifies your finding. Some research indicates that the mere presence of aRMC does not always translate into reduced earnings manipulation or better financial outcomes. For instance, empirical work on corporate governance in banks shows that risk governance variables, including risk committees, sometimes have no significant influence on earnings predictability or earnings quality, particularly in emerging markets where institutional environments are weaker and enforcement mechanisms less stringent. This suggests that the effectiveness of risk committees depends not only on size but also on contextual factors such as regulatory enforcement, committee expertise, and broader governance practices.

The theoretical support for your result derives primarily from agency theory and monitoring effectiveness theory, which posit that governance mechanisms that strengthen monitoringand reduce information asymmetry between managers and stakeholderscan constrain earnings management. A larger risk committee can, in theory, enhance monitoring and reduce manager discretion over accruals by increasing diversity of expertise and oversight capacity. At the same time, theories of real earnings management emphasize that operational manipulations are less susceptible to detection and control by formal committee structures, explaining the null result for REM. In sum, these findings reflect both the strengths and limitations of RMC in affecting different types of earnings management behaviors within Nigerian deposit money banks.

5.0 Conclusion and Recommendation

This study examined the relationship between risk management committees and earnings management in listed deposit money banks in Nigeria, covering the period 2017 to 2024. It investigated the influence of risk management committees on both accrual-based and real earnings management. Empirical results revealed that Risk committee size constrained accrual manipulation, whereas other risk committee attributes had limited impact. The study concludes that risk management committees play a critical role in shaping earnings management practices in the selected Nigerian DMBs. RCS significantly influences managerial reporting behavior, particularly accrual-based earnings management. Based on the findings from the studies the following recommendations were made: Banks need to increase the size and functional capacity of risk management committees, ensuring they include members with relevant expertise and diverse perspectives. Larger, well-equipped committees are better at constraining accrual-based manipulation. Regulators should monitor and enforce risk committee effectiveness as part of overall governance compliance.

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