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Risk Committee Independence and Risk Disclosure: The Moderating Role of Company's Size

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Abstract

This study investigated the relationship between risk committee independence and risk disclosure in listed financial services companies in Nigeria, with a focus on the moderating role of firm size. The study is motivated by persistent corporate governance challenges, weak disclosure practices, and lessons from past financial crises. Specifically, it examines whether independent risk committees enhance transparency and whether firm size strengthens or weakens this effect. Using an ex post facto research design, secondary data were obtained from the annual reports of 34 financial service companies listed on the Nigerian Exchange Group between 2012 and 2022. A disclosure index measured the extent of risk reporting, while risk committee independence served as a predictor, with firm size as the moderator. Panel data were analysed using robust pooled regression after diagnostic tests confirmed non-normality and heteroscedasticity. The findings reveal that risk committee independence has a significant but mixed influence on disclosure, positive in baseline models but negative when firm size is included. Firm size shows a consistent positive effect, with larger firms disclosing more risk information, and significantly moderates the relationship between risk committee independence and disclosure. These results support agency, stakeholder, and signalling theories in explaining governance disclosure dynamics. The study contributes to literature by offering evidence from an emerging economy, emphasizing the role of contextual factors. It recommends that regulators such as the FRC, SEC, and CBN strengthen guidelines on risk committee composition and adopt tiered disclosure requirements based on firm size.

Key Words: Risk Committee Independence, Firm Size, Risk Disclosure, corporate governance challenges

1. Introduction

Risk disclosure has become a fundamental requirement in modern corporate reporting because it enhances transparency, strengthens investor confidence, and builds trust between companies and their stakeholders (Linsley & Shrives, 2016; Linsley & Lawrance, 2017).

Investors, regulators, and the public rely on risk-related information to evaluate a company's exposure to uncertainties and its ability to withstand adverse events. By providing such disclosures, companies reduce information asymmetry and help stakeholders make informed decisions, particularly in volatile and competitive business environments (Abdallah & Shukor, 2017).

The increasing emphasis on risk disclosure is partly a consequence of financial scandals and corporate failures, which revealed significant inadequacies in governance and transparency. For instance, weak corporate governance and insufficient disclosure practices contributed to declining investor confidence in Nigerian companies, especially within the financial services sector (Oyebode, 2019). At the global level, the 2008 financial crisis further underscored the dangers of inadequate risk disclosure, as failures in the financial sector rapidly destabilized economies worldwide (IMF, 2009). These events highlighted the urgent need for stronger governance structures and more robust disclosure practices to ensure resilience and stability.

Corporate catastrophes such as Enron and WorldCom similarly demonstrated the limits of traditional oversight mechanisms, raising doubts about the effectiveness of audit committees alone in ensuring reliable disclosures (McMullen & Raghunandan, 2016). This has led to the

establishment of specialized Risk Management Committees (RMCs), tasked with overseeing risk-related policies and ensuring that adequate disclosures are made (Ng et al., 2018; Neri, 2020). The presence of independent risk committees on company boards is now widely regarded as a key mechanism for enhancing accountability and protecting stakeholders' interests (CBN, 2016; Freeman, 2014).

Moreover, company size has become an important contextual factor in risk governance. Larger firms often face greater operational complexities and risks, which necessitate more detailed disclosures (Abraham & Cox, 2017). They also tend to have lower relative costs of information preparation and dissemination, enabling them to provide more comprehensive risk reports (Mostafa, 2019; Lopes & Rodrigues, 2017; Muzahhem, 2016). Consequently, risk disclosure serves not only as a governance tool but also as a strategic mechanism through which companies, particularly large financial institutions, demonstrated resilience and sustain stakeholder confidence.

Although the establishment of risk management committees has been linked to improvements in the quality of risk disclosure, the effectiveness of such committees largely depends on their independence, and the evidence regarding this relationship remains ambiguous. Some studies suggest that independent committees strengthen governance and transparency, while others show limited or inconsistent effects (Yatim, 2019;

OECD, 2015). Moreover, in Nigeria, weak corporate governance practices and inadequate risk disclosure have been recurrent issues, contributing to the collapse of several financial institutions and erosion of investor confidence (Fallatah & Dickson, 2020; World Bank, 2016; Mmadu, 2018). Despite regulatory reforms such as the Nigerian Code of Corporate Governance (NCCG, 2011), which emphasized the creation of risk management committees composed of non-executive directors to enhance oversight and disclosure (SCGN, 2011; CBN, 2010), disclosure practices remain insufficient. Importantly, while prior research has examined the direct relationship between governance mechanisms and risk disclosure, very few studies have investigated the moderating role of company size. Firm size is particularly relevant since larger companies often face more complex risks, yet also possess greater capacity to implement robust disclosure practices (Abraham & Shrives, 2014; Buckby et al., 2015). However, studies in emerging economies, especially in Nigeria's financial sector, have not adequately addressed how firm size interacts with risk committee independence to influence disclosure quality, leaving a critical gap in the literature between 2012 and 2022 (Adamu, 2018; Adegbite, 2017).

The main objective of this study is to examine the moderating role of company size in the relationship between risk committee independence and risk disclosure among listed

financial services companies in Nigeria. This study specifically aims to: Assess the effect of risk committee independence on the level of risk disclosure in listed financial services companies in Nigeria, to examine whether company size influences the extent of risk disclosure, and to investigate the moderating effect of company size on the relationship between risk committee independence and risk disclosure.

The results of this study is significant for the growing body of literature on corporate governance and risk disclosure by focusing on the underexplored role of risk committee independence in enhancing disclosure quality. This study introduces company size as a moderating variable, addressing a gap in existing research. Larger firms typically have more complex operations and greater disclosure capacity, yet few studies, particularly in emerging economies, have assessed how size shapes the effectiveness of governance mechanisms in driving disclosure practices. The findings will be of practical importance to regulators and policymakers, such as the Securities and Exchange Commission (SEC) and the Central Bank of Nigeria (CBN), by informing ongoing reforms in corporate governance codes. Clear evidence on how independence in risk committees and firm size interact can guide more effective regulations tailored to different organizational contexts.

The remainder of the article is structured as follows:

1. Literature Review and Hypotheses Development

The review of literature covers the concepts and the prior empirical studies that informs the objectives and formulation of the hypotheses.

2.1 Concept of Risk Committee Independence within Corporate Governance

Corporate governance mechanisms ensure accountability, transparency, and the safeguarding of stakeholder interests. Within this structure, the risk management committee (RMC) plays an increasingly critical role in overseeing organizational exposure to risk and ensuring robust disclosure practices (Kajuter, Linsley, & Wood, 2018; Solomon et al., 2020). Risk committee independence specifically refers to the extent to which the members of the committee are non-executive or external directors, thereby free from managerial influence (Yatim, 2019). Independent members are more likely to exercise objective oversight and enhance transparency, reducing agency problems and aligning the interests of management with those of shareholders (Daghsni *et al.*, 2016; Higgs, 2013). According to the Nigerian Code of Corporate Governance (FRC, 2018), risk committees should be composed largely of independent, non-executive directors to strengthen disclosure practices. Thus, risk committee independence is a

cornerstone of good governance, designed to ensure that risk disclosures are not merely symbolic but genuinely informative for stakeholders.

2.2 Concept of Risk Management and Disclosure

Risk management is a structured process of identifying, assessing, monitoring, and mitigating risks that could adversely affect an organization's objectives. At its core, risk management ensures that firms are not only resilient against shocks but also transparent in communicating those risks to stakeholders (Solomon, *et al.*, 2020). Modern corporate governance frameworks position risk management as both a protective mechanism (to safeguard assets and reputation) and a strategic tool that enhances decision-making and competitiveness (Lajili & Zeghal, 2015).

The concept of risk management has expanded beyond traditional financial risks such as credit, liquidity, and market risks, to encompass operational, technological, environmental, and reputational risks (Erik, 2014). This expansion reflects the increasing complexity of business environments, where globalization, digital transformation, and regulatory changes expose companies to multidimensional uncertainties (Amran & Hassan, 2019).

Effective risk management is inseparable from risk disclosure, as stakeholders rely on timely and credible information about organizational

exposures. Disclosures are not merely compliance tools but strategic communications that reduce information asymmetry, foster investor confidence, and lower the cost of capital (ICAEW, 2011; Linsley & Shrives, 2016). In this sense, risk management and disclosure represent two sides of the same coin: while management involves internal processes of handling uncertainty, disclosure translates those processes into external accountability mechanisms (Abraham & Cox, 2017).

Risk management and disclosure are essential components of corporate transparency, enabling investors, regulators, and the public to evaluate a firm's resilience and sustainability (Linsley & Shrives, 2016; Hassan, 2019). Disclosures provide forward-looking information that allows stakeholders to assess business prospects and potential vulnerabilities (Amran & Hassan, 2019). The establishment of risk committees reflects a governance response to repeated corporate scandals and financial crises, highlighting the inadequacy of audit committees alone in ensuring effective disclosures (McMullen & Raghunandan, 2016). Risk committees therefore assume responsibility for identifying, monitoring, and communicating organizational risks (OECD, 2015; Wong, 2012). Independent risk committees are expected to disclose more comprehensive and reliable information since they operate with reduced bias and prioritize the interests of diverse stakeholders (Freeman, 2014; Neri, 2020). Thus,

risk management and disclosure, when anchored in committee independence, serve as mechanisms for reducing information asymmetry, improving market efficiency, and enhancing investor confidence.

1.3 Empirical Review and Hypotheses

This section presents a synthesis of prior empirical studies relevant to the research topic, highlighting key findings, and theoretical insights that inform the current investigation. Drawing on this foundation, the study formulates testable hypotheses that reflect observed patterns and gaps in the literature, thereby guiding the subsequent analysis.

2.3.1 Risk Committee Independence and Risk Disclosure

Several empirical studies highlight mixed evidence on the association between risk committee independence and risk disclosure. For instance, Darussamin, *et al.* (2018) found no significant link between risk committee independence and disclosure in Malaysian government-linked companies, while Grassa, *et al.* (2020) reported a positive association in Islamic and conventional banks. Similarly, Kakanda, *et al.* (2017) noted that Nigerian firms disclosed risk information significantly after the introduction of the 2011 and subsequent 2018 corporate governance reforms, but the influence of independence was not consistently evident. These mixed findings suggest that while risk

committees are essential, their independence may not automatically guarantee better disclosure. Hence the first hypothesis is stated in a null form:

Hypothesis 1 (H1): Risk committee independence has a non-significant effect on the level of risk disclosure in listed financial services companies in Nigeria.

2.3.2 Company Size and Extent of Risk Disclosure

Firm size is a critical determinant of disclosure practices. Larger firms typically face more complex and riskier operations, compelling them to disclose more information to manage stakeholder expectations (Abraham & Cox, 2017). Moreover, they have lower relative costs of preparing and disseminating risk-related information, which incentivizes broader disclosure (Mostafa, 2019; Lopes & Rodrigues, 2017; Muzahhem, 2011). Empirical studies consistently show a positive relationship between firm size and risk disclosure across various contexts (Achintya, *et al.*, 2017; Grassa, *et al.*, 2020). However, some research suggests the association may not always be strong, particularly in developing economies where disclosure enforcement is weaker (Agubata, *et al.*, 2021). Thus, the second null hypothesis is stated as:

Hypothesis 2 (H2): Company size has a non-significant effect on the extent of risk disclosure in listed financial services companies in Nigeria.

2.3.3 Company Size, Risk Committee Independence and Risk Disclosure

The moderating role of company size has been examined in various governance relationships, but evidence is limited and mixed. Studies suggest that firm size can strengthen, weaken, or even neutralize the effect of governance mechanisms on disclosure and performance outcomes (Peng & Haishan, 2018; ThankGod, 2021; Idris & Adediran, 2023). Larger firms often amplify the benefits of independent governance structures, as they are under greater scrutiny from regulators and investors (Mine *et al.*, 2023; Amina & Allam, 2019). In the context of Nigeria, there is a scarcity of empirical evidence on whether company size moderates the relationship between risk committee independence and risk disclosure, despite its theoretical importance in reducing information asymmetry and improving transparency (Kakanda *et al.*, 2017). Therefore, the third null hypothesis is stated as:

Hypothesis 3 (H3): Company size does not significantly moderate the relationship between risk committee independence and risk disclosure in listed financial services companies in Nigeria.

2.4 Theoretical Review

Corporate governance and risk disclosure are best explained through a multi-theoretical perspective since no single theory fully captures their complexity (O'Sullivan, Percy, & Stewart, 2015; Adegbite, Amaeshi, & Amao, 2012; Fulgence,

2021). Agency theory stresses that the separation of ownership and control creates conflicts of interest between shareholders and managers, leading to opportunistic behavior and weak disclosure, a problem mitigated by independent boards and committees that enhance transparency and reduce agency costs (Jensen & Meckling, 2019; Weir, Laing, & McKnight, 2020). Stakeholder theory broadens accountability beyond shareholders to include creditors, employees, regulators, and the public, framing disclosure as a tool for balancing competing interests, maintaining legitimacy, and promoting long-term corporate sustainability (Ayuso et al., 2014; Jensen, 2021; Gamble & Kelly, 2021). Signalling theory complements these perspectives by viewing disclosure as a mechanism to reduce information asymmetry, with firms using transparent reporting to signal resilience, good governance, and credibility to investors and other stakeholders (Ross, 2017; Tsamenyi, Enninful-Adu, & Onumah, 2017; Linsley & Shrives, 2016). Together, these theories provide the foundation for understanding how risk committee independence and company size influence disclosure, underscoring the need for a multi-theoretical approach in examining governance and reporting practices (L'Huillier, 2014; Abdullah & Valentine, 2019).

2. Methodology

This study adopts an ex post facto research design, which is appropriate for examining cause-and-

effect relationships using historical data where variable manipulation is neither ethical nor practical (Cohen et al., 2007; Simon & Goes, 2013). The design enables the use of panel data to assess the relationship between corporate governance mechanisms—particularly board characteristics, audit committee independence, and risk committee independence—and the extent of risk disclosure, while considering the moderating effect of company size. The population comprises fifty-five (55) financial services companies listed on the Nigerian Exchange Group (NGX) as of 31st December 2022, out of which a purposive sample of thirty-four (34) firms that remained active and consistently operating to the end of 2022 was selected to ensure data availability and reliability. The study relies on secondary data obtained from annual reports and accounts of the sampled firms and from the NGX website, covering an eleven-year period (2012–2022). The base year 2012 was chosen as it marked the first full year of implementation of the revised 2011 Nigerian Code of Corporate Governance and adoption of international financial reporting standards, thereby providing a suitable benchmark for analysing trends in disclosure practices.

3.1 Variables and Measurement

The study examines risk disclosure (RD) as the dependent variable, measured using a disclosure index adapted from Wong (2012), which captures the extent of risk information disclosed in annual

reports. The independent variables are corporate governance mechanisms, specifically, Risk Management Committee Independence (RMCI). Other mechanisms are Board Independence (BI), Audit Committee Independence (ACI) which are used as control variables. Board independence is measured as the proportion of non-executive directors on the board. Audit committee independence is proxied by the number of independent members with accounting or financial management expertise. Risk management committee independence is measured by the proportion of independent non-executive directors on the committee, in line with corporate governance codes emphasizing independence in oversight.

The moderating variable is Firm Size (FSZ), measured as the natural logarithm of total assets. Firm size is expected to influence disclosure since larger companies have more complex operations and lower relative disclosure costs.

3.2 Model Specification:

The empirical model for the study is expressed as:

The functional expression,

$$RD = f(RMCI, BI, ACI, FSZ)$$
..... (i)

The econometrical unmoderated model is presentation to reflect longitudinal data structure is thus:

$$RD_{it} = \beta_0 + \beta_1RMCI_{it} + \beta_2BI_{it} + \beta_3ACI_{it} + \beta_4FSZ_{it} + \varepsilon_{it} \dots\dots\dots (ii)$$

The moderated model is thus:

$$RD_{it} = \beta_0 + \beta_1RMCI_{it} + \beta_2RMCI_{it} * \beta_2FSZ_{it} + \beta_2BI_{it} + \beta_3ACI_{it} + \beta_4FSZ_{it} + \varepsilon_{it}$$

Where:

- RD = Risk Disclosure
- RMCI = Risk Management Committee Independence
- BI = Board Independence
- ACI = Audit Committee Independence
- FSZ = Firm Size (moderating variable)
- ε_{it} = error term

This model allows this study to assess the direct impact of risk committee independence and other governance variables on disclosure, as well as the moderating influence of firm size.

3. Presentation of Results

This section presents and analyses the empirical findings of the study, guided by the research objectives and hypotheses. The analysis begins with descriptive statistics to summarize the central tendencies, dispersions, and ranges of the variables under study. This provides an overview of the nature of the data and highlights differences in disclosure practices, board structures, committee independence, and firm size across the sampled financial service companies in Nigeria.

Following the descriptive analysis, correlation analysis is employed to examine the strength and direction of the linear associations among the variables. This helps to identify preliminary relationships between risk disclosure, corporate governance mechanisms, and firm attributes, while also checking for potential multicollinearity issues that may affect the regression analysis.

Descriptive Statistics Analysis

The descriptive statistics presented in Table 1 provide a summary of the mean, standard deviation, minimum, and maximum values for the study variables: Risk Disclosure (RD), Board Independence (BDI), Audit Committee Independence (ADCI), Risk Committee Independence (RKCI), and Firm Size (FSZ).

Variable	Obs	Mean	Std. Dev.	Min	Max
RD	372	5.299	1.362	0.422	10.184
BDI	372	65.798	12.294	33.333	93.75
ADCI	372	67.442	20.395	0	90
RKCI	372	91.19	18.997	16.667	95
FAG	372	20.358	12.751	3	54
FSZ	372	12.844	2.35	9.029	17.322

Source: Authors Computation, 2025

On average, firms disclosed a moderate level of risk information (mean RD = 5.299), with substantial variation across companies. Board independence averaged 65.8%, while audit committee independence averaged 67.4%, showing variation across firms, with some firms lacking independent members entirely. Risk committee independence was notably high at 91.19% on average, reflecting regulatory

emphasis on risk governance. Firm age averaged 20 years, while firm size averaged a log of 12.84, indicating a relatively diverse sample in terms of maturity and scale.

Correlation Analysis

Table 2 below presents the correlation matrix for the study variables.

Table 2: Correlation Matrix

Variables	RD	BDI	ADCI	RKCI	FSZ
RD	1.000				
BDI	-0.224	1.000			
ADCI	0.143	0.322	1.000		
RKCI	0.169	-0.133	-0.251	1.000	
FSZ	0.573	-0.226	0.072	0.156	1.000

Source: Authors Computation, 2025

The results show that risk disclosure (RD) has a strong positive correlation with firm size (FSZ = 0.573), suggesting that larger firms disclose significantly more risk information. RD has a weak correlation with risk committee independence (RKCI = 0.169), and audit committee independence (ADCI = 0.143). Interestingly, board independence (BDI) has a negative correlation with RD (-0.224), suggesting that higher board independence does not necessarily translate to greater risk disclosure.

Regression Results

The regression results are then presented to test the study's hypotheses on the effect of risk committee independence on risk disclosure, the influence of firm size on the extent of disclosure,

and the moderating effect of firm size on the relationship between risk committee independence and disclosure. The findings are interpreted in line with theoretical expectations from agency, stakeholder, and signalling theories, as well as with evidence from prior empirical studies. This structured presentation ensures that the results are not only statistically valid but also contextually meaningful for understanding corporate governance and disclosure practices in the Nigerian financial sector.

Table 3 presents the regression results from the Pooled and Random Effects models. Both models assess the direct influence of board independence (BDI), audit committee independence (ADCI), risk committee independence (RKCI), and firm size (FSZ) on risk disclosure (RD).

Table 3: Regression Results

Variables	Pooled Model	t-value	Random Effect Model	t-value
BDI	-2.089** (0.036)	-2.12	-0.740 (0.325)	-0.98
ADCI	0.483** (0.013)	2.52	0.124 (0.352)	0.93
RKCI	0.125 (0.141)	1.48	-0.039 (0.640)	-0.47
FSZ	0.409*** (0.000)	6.40	0.022*** (0.004)	2.92
Constant	-1.127 (0.628)	-0.48	3.567 (0.009)	2.61
R-squared	0.371		0.267	
Prob > F	0.000		0.062	

Source: Authors' Computation, 2025

The pooled regression indicates that board independence (BDI) has a significant negative relationship with risk disclosure, suggesting that firms with more independent boards disclose less risk information. Audit committee independence

(ADCI) shows a positive and significant relationship with risk disclosure in the pooled model, but not in the random effects model. Risk committee independence (RKCI) is positive but insignificant in both models, indicating that its independence does not strongly predict disclosure levels. Firm size (FSZ), however, is consistently positive and highly significant in both models, showing that larger firms disclose substantially more risk information. The R-squared values suggest that the pooled model explains about 37.1% of variation in risk disclosure than the random effects model (26.7%). Overall, firm size emerges as the most robust determinant of risk disclosure, while the effects of governance variables vary across models.

Robustness Tests

To ensure validity, diagnostic and robustness tests were conducted, covering multicollinearity, normality, heteroscedasticity, and outlier detection.

Table 4: Panel Diagnostic Tests and Model Selection Criteria

Test	Statistic	p-value
Breusch-Pagan LM Test	58.68	0.0750
Shapiro-Wilk test		
(residual normality)	0.862	0.0000
Modified Wald Test	77.66	0.0000
VIF (Mean)	1.342	

Source: Authors' Computation, 2025

The results of the panel diagnostic tests in Table 4 above show that the Breusch-Pagan Lagrange Multiplier (LM) test produced a statistic of 58.68 with a p-value of 0.0750, suggesting a weak

preference for the random effects model over pooled OLS at the 10% level, though not strongly significant. The Shapiro-Wilk test for residual normality returned a statistic of 0.862 with a p-value of 0.0000, indicating that the residuals are not normally distributed. Similarly, the Modified Wald test for heteroscedasticity yielded a statistic of 77.66 with a p-value of 0.0000, confirming the presence of heteroscedasticity across panels. In contrast, the mean Variance Inflation Factor (VIF) of 1.342 indicates that multicollinearity is not a concern since the value is far below the accepted threshold of 10. Overall, these diagnostics suggest that while the explanatory variables are not highly correlated, the violations of normality and homoskedasticity assumptions necessitate the use of robust regression techniques to obtain reliable and valid estimates for the test of hypotheses.

Test of Hypotheses

This section presents the analytical procedures employed to evaluate the proposed hypotheses. Using appropriate statistical techniques, the study examines the relationships among key variables to determine whether the empirical evidence supports or refutes each hypothesis. The results presented in table 5 below offer critical insights into the validity of the theoretical framework and the robustness of the research findings.

Table 5: Moderated Regression Result

*** $p<.01$, ** $p<.05$, * $p<.1$ (figures in parenthesis are p-values)

RD	Model 1	Model 2	Model 3
BDI	-2.871*** (0.000)	-1.661*** (0.003)	10.177 (0.120)
ADCI	0.869 (0.000)	0.683*** (0.000)	3.209** (0.023)
RKCI	0.145** (0.013)	0.086* (0.060)	-1.035** (0.028)
FSZ		0.001*** (0.000)	1.302** (0.045)
RKCI*FSZ			0.056** (0.031)
Constant	7.804*** (0.000)	5.363*** (0.000)	-19.995* (0.094)
R-Squared	0.329	0.543	0.716
Prob>F	0.000	0.000	0.000

Source: Authors' Computation, 2025

The moderated regression results in Table 5 above show clear differences across the three models. In the baseline model (Model 1), board independence (BDI) is negative and significant, audit committee independence (ADCI) is positive and significant, and risk committee independence (RKCI) is positive and significant, suggesting that governance structures influence disclosure. With the inclusion of firm size (FSZ) in Model 2, the explanatory power of the model increases (R^2 from 0.329 to 0.543), and FSZ itself is positive and highly significant, indicating that larger firms disclose more risk information. However, the effect of RKCI weakens to marginal significance. In the full moderation model (Model 3), explanatory power rises substantially ($R^2 = 0.716$), and the interaction term RKCI*FSZ is positive and significant, confirming that firm size moderates the RKCI and disclosure relationship. Interestingly, the direct effect of RKCI turns negative, implying that while independent risk

committees generally increase disclosure, in larger firms they are associated with lower disclosure unless moderated by firm size. Audit committee independence remains a positive determinant of disclosure across models, while board independence loses significance in the moderation model. Firm age (control) consistently has a positive and significant effect. Overall, the results highlight the strong direct role of firm size, the consistent importance of audit committee independence, and the conditional nature of risk committee independence when size is considered.

Tuning to the test of the individual hypothesis, the following analyses are proffered.

Hypothesis 1 (H1): Risk committee independence has a non-significant effect on risk disclosure. The results indicate that RKCI is positive and significant in Model 1 (0.145, $p = 0.013$), marginally significant in Model 2 (0.086, $p = 0.060$), and negative but significant in Model 3 (-1.035 , $p = 0.028$). This means RKCI has a statistically significant effect on risk disclosure across specifications, even though the direction changes once firm size is accounted for. Therefore, H1 is rejected because risk committee independence significantly influences risk disclosure.

Hypothesis 2 (H2): Company size has a non-significant effect on risk disclosure. Firm size (FSZ) is introduced in Model 2 and shows a highly significant positive effect (0.001, $p = 0.000$), and

in Model 3 it remains positive and significant (1.302, $p = 0.045$). This provides strong evidence that larger firms disclose more risk information. Hence, H2 is rejected, as firm size significantly affects the extent of risk disclosure.

Hypothesis 3 (H3): Company size does not significantly moderate the relationship between risk committee independence and risk disclosure. The interaction term (RKCI*FSZ) is included in Model 3 and is positive and significant (0.056, $p = 0.031$), confirming that firm size significantly moderates the relationship between risk committee independence and disclosure. This finding means that the effect of RKCI on risk disclosure depends on firm size. Accordingly, H3 is rejected, since moderation is statistically significant.

4. Discussion of Results

The regression results revealed that risk committee independence (RKCI) had a significant effect on risk disclosure, though the direction varied across models. In the baseline model, RKCI was positive and significant, suggesting that greater independence encouraged disclosure. However, when firm size was introduced as a moderator, RKCI turned negative and significant, implying that in larger firms, independent risk committees were associated with reduced disclosure. These findings reject the null hypothesis of non-significance and align partly with Grassa, *et al.* (2020), who found positive

effects of committee independence in banks, but contrast with Darussamin, *et al.* (2018), who reported no significant link in Malaysian firms. The mixed direction of effects in this study reinforces prior conclusions that independence alone does not guarantee consistent improvement in disclosure (Kakanda, *et al.*, 2017). This suggests that contextual factors, such as firm size and regulatory pressure, influence whether independence strengthens or weakens transparency.

Firm size (FSZ) was found to be consistently positive and significant across models, indicating that larger companies disclose more risk information. This result leads to the rejection of H2 and is consistent with earlier studies that show a positive association between firm size and disclosure due to complexity, greater risk exposure, and lower relative disclosure costs (Abraham & Cox, 2017; Mostafa, 2019; Lopes & Rodrigues, 2017). The finding also supports empirical work by Achintya *et al.* (2017) and Grassa *et al.* (2020), which reported that large firms provide broader disclosures. However, it contrasts with Agubata *et al.* (2021), who found weaker links in developing markets. For Nigeria, this suggests that regulators and investors scrutinize larger firms more heavily, compelling them to disclose more, in line with signaling theory which argues that disclosure is a way to signal credibility and resilience (Ross, 2017).

The interaction term between RKCI and FSZ was positive and significant, meaning firm size significantly moderates the effect of risk committee independence on risk disclosure. This leads to the rejection of H3. The result shows that while independent risk committees in large firms initially appear to reduce disclosure, firm size alters the relationship by attenuating this negative impact. This finding is consistent with studies such as Peng & Haishan (2018), ThankGod (2021), and Idris & Adediran (2023), which demonstrated that size can strengthen or alter governance–disclosure relationships. It also supports the view that larger firms, being under higher public and regulatory scrutiny, adapt their disclosure strategies more carefully when independent committees are in place (Mine *et al.*, 2023; Amina & Allam, 2019). From a theoretical standpoint, this moderating effect reflects agency theory (size reduces monitoring costs), stakeholder theory (balancing broader interests), and signalling theory, larger firms use disclosure as a legitimacy and reputation tool.

6. Policy Implication

The findings of this study provide several important policy implications for regulators, corporate boards, and investors. First, the evidence that risk committee independence significantly influences disclosure, sometimes positively and at other times negatively when firm size is considered suggests that regulators such as the Financial Reporting Council of Nigeria,

Securities and Exchange Commission (SEC) of Nigeria and the Central Bank of Nigeria (CBN) should not only mandate the establishment of risk committees but also strengthen guidelines on their composition and accountability. Independence alone may not guarantee improved disclosure; therefore, policies should emphasize the competence, expertise, and reporting obligations of risk committee members to ensure that independence translates into transparency.

Second, the consistent positive impact of firm size on disclosure implies that larger firms are better positioned to provide more comprehensive risk-related information. Regulators could leverage this by designing tiered disclosure requirements, where larger firms are held to stricter disclosure standards given their capacity and systemic importance, while smaller firms are provided with proportionate compliance frameworks to avoid excessive regulatory burdens.

Third, the moderating role of firm size highlights the need for context-specific regulation. Corporate governance codes should account for firm heterogeneity by embedding flexibility in disclosure frameworks, recognizing that the effectiveness of governance mechanisms varies across small, medium, and large firms. This supports a more risk-sensitive approach that enhances overall transparency in the financial sector.

Finally, for investors and other stakeholders, the results reinforce the importance of evaluating both governance structures and firm size when assessing the credibility of disclosures. Investors should not assume that independence in governance committees automatically translates into higher transparency, but should instead consider how firm size and governance interact in shaping disclosure practices.

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