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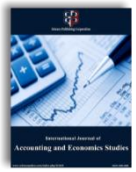

Risk Committee Attributes, Board Financial Expertise and The Market Performance of Industrial Good Firms in Nigeria

Muyiwa Emmanuel Dagunduro [1] *, Gbenga Ayodele Falana [1], Olasehinde Vincent Omodara [1], Bukola Ibilola Fagbomedo [1], Adebimpe Funmilayo Aluko [1], Simeon Opeyemi Olufemi [2], Akinyemi Wumi Ogunleye [3], Bankole Ojo Osaloni [1]

[1] Department of Accounting, College of Social and Management Sciences, Afe Babalola University, Ado-Ekiti, Ekiti State, Nigeria
[2] Department of Economics, College of Social and Management Sciences, Afe Babalola University, Ado-Ekiti, Ekiti State, Nigeria
[3] Department of Accounting, West Midlands Open University, Ikeja, Lagos State, Nigeria
**Corresponding author E-mail: dagundurome@pg.abuad.edu.ng*

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Abstract

The study investigated how the risk management committee (RMC) attributes—size, independence, diligence, and financial expertise — influence the market performance (as quantified by the Q of Tobin) of listed industrial goods in Nigeria. The present research design was ex-post facto , utilizing secondary data on 13 listed firms in Nigeria that manufacture industrial goods. The sample was of all 13 firms using a census sampling method. The data used was back through the 14-year period between 2010 to 2023. Grasping the use of descriptive as well as inferential statistics. The empirical test showed a significant positive effect of size and independence of RMCs as having an effect that would improve the quality of governance and investor confidence in the wider and more independent committee. On the contrary, RMC diligence and financial knowledge proved to have major adverse effects, meaning that too many gatherings and uncoordinated professional knowledge can slow down firm valuation. Also, financial skills on the board play the negative moderating role, showing the existence of overlaps in roles or inefficient governance when technical authority is concentrated. This study established that although risk committee size and independence improve market performance, undue diligence and expertise about financial matters are displayed by the committee. The research advises firms to strive to have a balanced size of RMC, which will promote healthy diversity of opinion without being inefficient.

Keywords: *Board Financial Expertise; Market Performance; Risk Committee Diligence; Risk Committee Financial Expertise; Risk Committee Independence; Risk Committee Size.*

1. Introduction

The financial stability of firms is one of the most apparent prices of an economy and the levels of trust in firms (Bas & Paunov, 2025; Dagunduro et al., 2024). Some of the universal indicators that are used to gauge this performance are the Tobin Q, price to earnings (P/E), and the rate of return on assets (ROA) (Nwankwo & Ibrahim, 2024). The last few years showed that firms that produce and sell industrial goods in both developed and emerging economies faced significant challenges (Dagunduro et al., 2024; Purwanto et al., 2021). As an illustration, the decreases in industrial production saw identical decreases in Germany, France, Italy, and Spain of 2.2 percent by July 2023 to July 2024, because of the intensification of worldwide rivalry, the expensive energy, and the low home demand (Le Monde, 2024; Lee & Wen, 2025). The Ukraine war has escalated the energy crisis, more so in Germany, where the country depends largely on Russian gas (Nuta et al., 2024). Add to that the infrastructure investment deficit and the lack of skills in the labor market in Germany. Complementary to this, the United States has been stable in its level of industry production (Challoumis & Eriotis, 2024).

U.S industrial production increased in January 2025 by a rate higher than initially expected, with an increase of 0.5% due to the increasing global demand for finished products manufactured in the U.S. regarding trade tensions and threats of tariffs (MarketWatch, 2025). Nevertheless, the industry was not without losses as it was slumped by a 0.1% fall in manufacturing and a steep 5.2% in motor vehicle slump (Martins & Pires, 2024), which indicates both positive and negative aspects of international rivalry. Energy expenses in Germany are also increasing, including the termination of Russian natural gas imports because of the geopolitical tension, and the increased competition posed by China, which has led to the loss of market share in strategic commodities (AP News, 2025; Financial Times, 2025). On the same note, there is still a huge burden on the industrial industries in emerging economies such as Nigeria. The cost of raw materials grew by almost twice as much in huge companies like Dangote Cement and BUA Cement (from 166.65 billion naira in H1 2023 to 331.51 billion

in H1 2024) in 2024 primarily because of the strong deterioration of the Naira by 700 units (the rate of the naira increased to 907usd to the 1534usd in 2024) (Onyebuchi, That resulted in ballooning cement costs and factored into the overall forces straining the economy, such as a sharp year-on-year decline in the growth of the manufacturing GDP of 90.11 in Q3 2024, which was triggered by a shortage of foreign currency, high production costs, an unreliable power supply, and the fact that imports are relied on (Nairametrics, 2024).

Nevertheless, industrial goods have countersued and have been the best-performing sector on the Nigerian Exchange Limited, with Dangote Cement and BUA Cement stock prices driving the sector with a 73% year-to-date return (The Guardian Nigeria, 2024). Nevertheless, this was short-lived, as by the month of August 2024, the sector dropped by 13 percent as oil and gas had increased by 22.39 percent (Nairametrics, 2024). This was due to the inflation rate, depreciation of Currency, and inefficiencies in operations, and the leading stocks had a front-line role in the decline (Nworie & Aniefuna, 2024). Constant inflationary rates, regulatory lapses, and infrastructure shortages persist to undermine the confidence of investors, as well as trading strength (CBN, 2024). The role of corporate governance in firm performance enhancement has gained more significance, mostly in a growing economy like the emerging economies, with the development of its financial markets (Abata & Olamide, 2023; Dada et al., 2023). In the corporate governance models, the quality of the board and risk committees is highly influential in determining the financial and market outcomes. The efficiency with which industrial goods companies in emerging markets (including Nigeria) operate highly depends on their application of quality risk management, transparency, and instituting strategic supervision arrangements that enhance the level of investor confidence (Adebayo & Yusuf, 2024; Okonkwo et al., 2024; Raji & Dagunduro, 2024).

Risk committees have a critical place in the governance process as they oversee financial, operational, and strategic risks. The effectiveness of risk management is determined by the number of members on the committee, committee independence, committee financial capability, and diligence (Eze & Nwosu, 2024; Oluwagbade et al., 2023). An effective risk committee enhances the corporate decision-making process, reduces financial negative statements and market fluctuations, which not only raise investor confidence but also share price continuity (Ogunleye & Adeoti, 2023). In the same way, size, independence, remuneration, and financial knowledge are considered board factors that have a significant impact on the performance of governance (Dagunduro et al., 2023). More extensive and more autonomous boards perform a better watchdog duty, whereas diversified boards are more strategic to the firm in decision-making and risk-taking (Awotomilusi et al., 2023; Uchenna and Okafor, 2024). Nevertheless, little attention has been paid to the usefulness of such governance systems in influencing the market performance of the industrial goods in Nigeria.

The study aimed to examine how risk committee attributes and board financial expertise affected the market performance of listed industrial goods companies in Nigeria. It contributes to the body of knowledge because it provides empirical data on the issue of how governance systems enhance or worsen the performance of the markets in emerging economies. The results or findings will give tactical recommendations to corporate governance reforms that will make or create financial sustainability and investor confidence in an emerging economy such as Nigeria.

2. Literature Review and Hypotheses Development

This section discusses the theoretical foundation and empirical evidence for this investigation.

2.1. Theoretical framework

Freeman (1984) developed stakeholder theory, which is adopted in this research study focusing on the fact that firms' table responsibilities towards shareholders and other communities defined as employees, customers and suppliers, government, and communities (Agbaje et al., 2024). According to the theory, the effective management of these varying stakeholder relations leads to improved business performance and risk management, among other market-related issues (Freeman, 1984; Akpan & Akai, 2022; Dada et al., 2023). It is common to regard boards of directors and risk committees as equalizing tools when differing interests clash and as institutions of ensuring long-term corporate viability (Jones, 1995; Oluwagbade et al., 2023). The theory has been supported by empirical evidence to apply in emerging economies. An example is a study by Akinyemi and Alaka (2023), who showed that Nigerian companies with robust stakeholder engagement systems, including risk boards and boards composed of a mix of members, are more successful than the market. In line with this, other scholars such as Adewale and Olayemi (2022) have also emphasized the positive effects of board diversity and stakeholder inclusion in the enhancement of corporate sustainability and financial performance in the Nigerian environment.

But there is criticism of the stakeholder theory. It does not provide an understanding of how to balance conflicting stakeholder interests, and it also supposes that firms can meet the demands of all stakeholders, which is not always an option in resource-limited settings (Phillips, 2003; Harrison et al., 2015). Another criticism is that the theory fails to recognize that there are imbalances in power amongst stakeholders, that is power of major shareholders, or a regulator dominates decision making (Mitchell et al., 1997). Even though such limitations exist, stakeholder theory will be a useful perspective to apply in this research as it will offer a framework through which the relationships between the nature of a board and the nature of a risk committee may guide how a firm responds to the expectations of its stakeholders and how this relationship impacts their performance in the market.

2.2. Empirical review

This study reviewed relevant literature regarding risk committee, board attributes, and market performance in line with the study's objectives and hypotheses, thereby formulating.

2.2.1. Risk committee attributes and market performance: moderating effect of board attributes

The reviewed literature in this research was in line with the specific objectives and hypotheses of the study in conducting research on the attributes of the risk management committee (RMC) and market performance. Malik et al. (2021) claimed that RMCs' structure and mixture have an important effect on the market performance. Malaysian non-financial listed firms (2015-2017) study that they conducted showed that RMC size, independence, expertise (in general finance or accounting), and female membership have a harmful influence on the market performance. Yet, when knowledge was associated specifically with risk management, the connection became positive, indicating that expert knowledge in matters of risk management improves monitoring and firm values. They also presented the argument that the adverse effect that female representation might be bringing about could be because of tokenism, that is, the female members are included as opposed to being included meaningfully. In a study by Odubuasi et al. (2022), the authors examined the impact of the performance of RMCs on the

financial performance of the Nigerian, South African, and Ghanaian banks between 2009 and 2018. The study contended that the operations of risk committees are imperative in reducing the exposure of risks to the institution and failure.

Lamidi et al. (2022) researched Nigerian deposit money banks and stated that a mere growth of either the level of independence or the size of RMCs does not automatically imply a rise in the level of performance. As their results indicated, RMC size and independence were both found to be detrimental effects, and RMC size alone had no significant effect, implying that excessively large RMCs or detached ones could interfere with the ability to make effective decisions. In the same way, Akpan and Akai (2022) claimed that the performance of RMCs is not related to their structure but to their diligence. Through their research, they discovered that due to RMC diligence, there was a favorable impact on the financial performance; the RMC size and independence had an adverse but inessential impact.

By using the agency theory and signaling theory, Malahim (2023) concluded that RMC expertise, independence, and dual membership had a positive impact on the values of all banks in Jordan, but competency qualifications in accounting or finance negatively affected the bank value. The strategic role of RMC design was once again proved by Oluwagbade et al. (2023), who determined based on the statistical analysis that RMC structures do have a significant impact on the financial performance of Nigerian financial institutions. On the same note, Agbo et al. (2023) have identified the RMC structure to have a significant and positive impact on the measures of the return on equity in various healthcare firms in Nigeria, as opposed to the audit committee, which had no significant effect. On the other hand, Alduneibat (2023) stated that the regression directly affects profitability using the RMC structures, but the importance of enterprise risk management (ERM), CSR, and the ROE on the firm value was significant and had a negative impact in the emerging market.

Research done on Nigeria also reinforces these incongruent results. Dagunduro et al. (2023) found that both board size and board independence had positive effects on the market value (Tobin Q), and board diversity influenced only the ROE and Tobin Q. Awotomilusi et al. (2023) also indicated that the board characteristics had a positive impact on the financial performance of multinational firms in Nigeria. Dada et al. (2023) discovered that forensic accounting and corporate governance have a strong influence on the financial performance of the listed Nigerian banks. Karim et al. (2024) found opposing associations of RMC characteristics: they had adverse associations with measures of accounting but a positive impact on market-based performance among the Malaysian firms, and the board size reinforced these findings. Frank and Ukpong (2024) found that confirming the size and independence of the RMC had adverse, but not significant, impacts on the financial performance of banks in Nigeria, but that the diligence level, on the other hand, had favorable and significant effects. The study by Agbaje et al. (2024) concluded that the size of the board that is RMC and frequency of meetings enhanced the financial performance of Nigerian insurance companies, whereas independence and gender mix did not influence this outcome. In a related study, Dagunduro et al. (2025) discovered that while RMC size and gender diversity negatively affected earnings quality, RMC independence and meeting frequency had a positive and significant impact.

Karim et al. (2024) examined how risk management committee attributes influenced firm performance in Malaysian listed companies, with particular attention to the moderating role of board size. The study assessed performance using both accounting-based and market-based measures. To address potential issues of endogeneity, simultaneity, and unobserved heterogeneity, a dynamic model was applied through the generalized method of moments (GMM). The results showed that attributes such as committee size, independence, and frequency of meetings hurt accounting-based performance but a positive impact on market-based performance. In addition, board size was found to strengthen the relationship between risk management committee attributes and firm performance. The study's findings were consistent with the assumptions of agency theory and resource dependence theory.

Muqorobin et al. (2024) explored how the presence of a risk management committee influenced the relationship between risk-taking behavior and company performance. Their study drew on 383 manufacturing firm-year observations listed on the Indonesian Stock Exchange between 2017 and 2020. Risk-taking behavior was reflected through measures such as leverage, capital intensity, research and development intensity, and earnings uncertainty. Using a firm fixed-effects regression approach, they found that the existence of a risk management committee moderated the effect of risk-taking behavior on performance. Similar patterns were observed when the relationship was tested against future performance. Further analysis also revealed that the expertise of the risk management committee strengthened its moderating role in the link between risk-taking behavior and company performance.

Awotomilusi et al. (2025) investigated the influence of risk management committee attributes on the market performance of listed insurance firms in Nigeria. The study employed an ex-post facto research design, relying on data drawn from annual reports and financial databases of the firms. The population consisted of 23 insurance companies listed on the Nigerian Exchange Group (NGX) as of December 31, 2023, and a census sampling method was used to include all of them. Covering 12 years from 2012 to 2023, the study provided a comprehensive analysis. The regression results revealed that certain attributes of the risk management committee, such as size, independence, and gender diversity, had a positive and significant effect on market performance. In contrast, the frequency of committee meetings showed a negative and significant impact on the firms' market performance.

Musa et al. (2025) investigated whether the risk management committee (RMC) played a role in curbing earnings management (EM) in Nigeria. The researchers analyzed 365 firm-year observations from Nigerian-listed nonfinancial companies covering the period 2018 to 2022. They employed Driscoll and Kraay's fixed-effect standard error regression model to test their hypotheses. The study revealed that RMC size, expertise, meeting frequency, and overlapping membership with the audit committee all reduced both accrual earnings management (AEM) and real earnings management (REM). RMC independence, on the other hand, was specifically linked to a reduction in REM. Additional tests showed that overall RMC effectiveness was strongly associated with lower levels of EM practices. When analyzed at the industry level, the findings suggested that RMC attributes helped curb EM in certain industries. Importantly, the results held firm even after addressing concerns about endogeneity and running alternative regression analyses.

Although lots of research has been done about risk management committees and performances in the market, much still needs to be known, especially in the industrial goods segment in developing nations such as Nigeria. Earlier literature has used financial institutions or non-industrial companies in other countries, like Malaysia and Jordan (Malik et al., 2021; Karim et al., 2024), and has tended to concentrate on factors based on returns on assets (ROA) and returns on equity (ROE), such as accounting-based drivers, yet has ignored market-based drivers such as Tobin Q (Agbaje et al., 2024; Dagunduro et al., 2025). Besides, much has not been provided to understand how board financial expertise interacts with the risk committee features to relate to market performance (Oluwagbade et al., 2023; Agbo et al., 2023). Moreover, it was found that other studies have limited research time (e.g., Malik et al., 2021; Odubuasi et al., 2022), which is likely insufficient to help identify any long-term patterns of corporate governance. This paper overcomes these drawbacks, given that the study utilizes a larger time series (2010-2023) and tests the joint impact of risk committee attributes and board financial expertise on the market performance of listed Nigerian industrial goods companies.

H_01: Risk committee attributes have no significant effect on the market performance of listed industrial goods firms in Nigeria.

H_02: Board financial expertise does not significantly moderate the effect of risk committee attributes on the market performance of listed industrial goods firms in Nigeria.

2.3. Conceptual framework

Figure 1 shows a conceptual diagram of the research, which shows how the risk committee attributes are linked to the characteristics of the board and the performance of the market. The independent variables include risk committee attributes: size, independence, diligence, and financial expertise, which determine how good the committee is at overseeing risks and providing sound governance. The dependent variable is market performance, which is measured by Tobin Q, reflecting the level of realignment between market value and asset base of a firm. This can be used to explain that the Board's financial expertise is seen as a moderating variable that influences the intensity and direction of the relationship between the attributes of the risk committee and the performance in the market. This knowledge improves decision-making and the process of governance. The framework builds on the notion of the stakeholder theory that highlights the significance of adhering to the corporate governance mechanism to match with interests of the stakeholders to contribute to the long-term market value. The framework will support both effective and efficient boards because a stakeholder-oriented governance system with effective risk committee structures, with the skills needed of the board, will facilitate the better performance of a firm in the market.

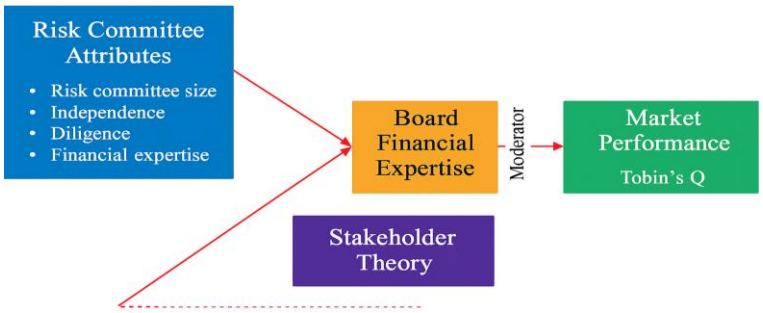

Fig. 1: Conceptual Framework.

Source: Authors' Design (2025).

3. Methodology

In this study, an ex-post facto research design was employed, and this is appropriate because it allows the examination of pre-existing data to identify relationships and causations without manipulating variables, ensuring that the study is grounded in real-world occurrences. The research used secondary data sourced from the annual reports and audited financial statements of listed industrial goods firms in Nigeria over the period 2010-2023 on the Nigerian Exchange Group (NGX). The credibility of these financial statements hinged on the trustworthiness of both the institutions and regulatory bodies. The chosen period, spanning from 2010 to 2023, was justified by the need to capture long-term trends and developments in corporate governance within the Nigerian manufacturing companies. This period encompassed significant regulatory changes, global reporting reforms, and economic shifts, providing a robust context for evaluating the impact of these factors on market performance. The population of this study comprised the 13 Nigerian listed industrial goods firms on the Nigerian Exchange Group (NGX) as of 31st December 2023. The sample comprised all 13 firms using a census sampling technique. The decision to select this sector was driven by the observation that previous studies conducted in Nigeria often overlooked the industrial goods firms, making it an area that warranted attention in the current research. The data collected in this study were analyzed using a comprehensive statistical approach that incorporated both descriptive and inferential methods to ensure robust and meaningful insights. Descriptive statistics, including measures such as mean, median, mode, variance, standard deviation, skewness, and kurtosis, were used to summarise and describe the key features of the dataset. Inferential statistics, including correlation analysis, panel regression analysis, among others.

3.1. Model specification

This study adapted the econometric model established by Oluwagbade et al. (2023). The model was chosen for its proven applicability in analyzing similar variables, offering a structured framework to assess how the risk management committee characteristics influence firm performance. By utilizing this model, the study ensures consistency with recent research methodologies and provides a robust analytical approach. The specific formulation of the model allows for the inclusion of various relevant factors and ensures that the relationship between risk management attributes and market performance is examined with precision. The econometric model is specified as follows, incorporating the key variables and their expected interactions as defined by Oluwagbade et al. (2023).

$$FP = \alpha 0 + \beta_1 RCSZ_{it} + \beta_2 RCID_{it} + \beta_3 RCMT_{it} + \beta_4 RCGD_{it} + \varepsilon_{it}$$

Where:
FP = Financial Performance
RCSZ = Risk Committee Size
RCID = Risk Committee independence
RCMT = Risk Committee Meeting
RCGD = Risk Committee Gender Diversity
$\alpha 0$ = Constant
Σ = Stochastic Error Term
β_0 = Intercept
$\beta_1, \beta_2, \beta_3, \beta_4$ = The Coefficients of the independent variable
The a-priori expectation = $\beta_1, \beta_2, \beta_3, \beta_4 > 0$
However, the model was modified to replace financial performance with market performance, the risk committee meeting was replaced with risk committee diligence, risk committee gender diversity was replaced with risk committee financial expertise, and board attributes

were introduced as a moderate variable. To develop an econometric model for this study on "Risk Committee Attributes, Board Attributes, and Market Performance of Listed Industrial Goods Firms in Nigeria", the following relationships were defined:
Dependent Variable (Market Performance - MP), measured by Tobin's Q.
Independent Variables (Risk Committee Attributes - RCA), measured by:
Risk Committee Size (RCS)
Risk Committee Independence (RCI)
Risk Committee Diligence (RCD)
Risk Committee Financial Expertise (RCFE)
Moderating Variable (Board Financial Expertise - BFE):
This study specified the baseline regression model as:

$$MP_{it} = \beta_0 + \beta_1 RCS_{it} + \beta_2 RCI_{it} + \beta_3 RCD_{it} + \beta_4 RCFE_{it} + \beta_5 BFE_{it} + \varepsilon_{it}$$

ε_{it} = Error term
β_0 = Intercept
$\beta_1 - \beta_6$ = Regression coefficients

3.2. Measurement and description of variables

Table 1 shows the description, measurement, data source, and literature evidence of the investigated variables.

Table 1: Measurement and Description of Research Variables

S. N	Variable	Description	Measurement	Data Source	Literature Evidence
	Dependent Variable:				
1a	Tobin's Q (TQ)	Tobin's Q, which compares a firm's market value to its asset replacement cost, provides insights into investor perceptions of the firm's growth potential and efficiency.	Measured as market capitalisation divided by total assets and multiplied by 100.	Annual Report	Awotomilusi et al. (2023); Dagunduro et al. (2023)
	Independent Variables				
2	Risk Committee Attributes (RCA)	Risk committee attributes refer to the characteristics and structure of a firm's risk management committee, which influence its effectiveness in overseeing risk-related issues.	These attributes are typically measured by committee size, independence, diligence, and financial expertise.	Annual Report	Oluwagbade et al. (2023); Dagunduro et al. (2025)
2a	Risk Committee Size (RCS)	Risk committee size determines the number of members responsible for risk oversight, with larger committees potentially offering diverse perspectives but risk inefficiency.	Measured as the total count of risk committee members.		Oluwagbade et al. (2023); Dagunduro et al. (2025)
2b	Risk Committee Independence (RCI)	Risk committee independence ensures objectivity by including non-executive members who are not influenced by management.	Measured by dividing the number of non-executive directors on the risk committee by the total number of members on the committee, expressed as a percentage.	Annual Report	Oluwagbade et al. (2023); Dagunduro et al. (2025)
2c	Risk Committee Diligence	Risk committee diligence reflects the committee's level of engagement, often measured by meeting frequency and attendance.	Measured by the total number of meetings the risk committee members held in a year.	Annual Report	Oluwagbade et al. (2023); Dagunduro et al. (2025)
2d	Risk Committee Financial Expertise (RCFE)	Risk committee financial expertise refers to members' knowledge in risk management, accounting, or finance, which enhances their ability to identify and mitigate financial risks effectively.	Measured as the ratio of professional experience in finance, accounting, or auditing on the risk committee, divided by the total size of the risk committee.	Annual Report	Oluwagbade et al. (2023); Dagunduro et al. (2025)
	Moderating Variables:				
3a	Board Financial Expertise (BFE)	Board financial expertise involves the knowledge and experience of board members in financial matters, including accounting, auditing, and financial management.	Measured as the ratio of professional experience in finance, accounting, or auditing enhances the board's ability to critically assess financial reports, divided by the total size of the board.	Annual Report.	Awotomilusi et al. (2023); Dagunduro et al. (2023)

Source: Researchers' Compilation (2025).

4. Results Analysis and Discussion of Findings

This section depicts the characteristics of the variables used, data analysis, study findings, and summarizes the variable distribution.

4.1. Descriptive statistics

The descriptive statistics of the variables used in the study are reflected in Table 2 using 182 observations. The average value of Tobin's Q is 0.7231. This shows that on average the market values are lower as compared to the replacement cost of the assets of the firms sampled. However, the high margin of -0.0151 to 2.0677 and moderate standard deviation 0.5765 reveal a variation in the values of the market in measuring the value. Skewness (0.16) and kurtosis (1.59) are slightly and considerably positive, respectively, which is an indication of a spread that is flat. On the same note, the average risk committee size is 4.12 with a range between 0 and 7. This implies that most companies have medium-sized risk committees. The interpretation of the negative skewness of -0.18 is that there is a little propensity evident towards larger committees. It has a moderate variance. In addition, the average score of the independence of the risk committee is 0.1655. That is to show that most risk committees do not have independent (non-executive) directors. The high magnitude of skewness and kurtosis of the

values 1.74 and 4.20 indicates that the concentration of firms lacks independence. This could be because of the unavailability of information.

Once again, the average mean of 0.1734 indicates that the majority of the risk committees were not conducting regular meetings. Some of the companies, nevertheless, are conscientious. The skewed 1.67 nature of the data is also a very strong indicator of the absence of participation in the management of the risk by the sampled firms. Similarly, the typical level of the committee's expertise in financial aspects is also abysmally low in terms of 0.0090. One of the financial expertise indicators is the extreme skew of 5.22 and kurtosis of 30.29, which implies that financial expertise is practically nil. On the other hand, the board members also employ financial expertise, where the mean size is 0.0079. Highly skewed 6.22 and extremely high kurtosis 41.23 figures show that the financial skills on the board are highly concentrated.

Table 2: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max	Skewness	Kurtosis
Tobin's Q	182	0.7231	0.5765	-0.02	2.0677	0.1570	1.5853
RCS	182	4.1183	1.6505	0.00	7.0000	-0.1816	2.3388
RCI	182	0.1655	0.3520	0.00	1.0000	1.7396	4.1988
RCD	182	0.1734	0.3650	0.00	1.0000	1.6747	3.9020
RCFE	182	0.0090	0.0452	0.00	0.3333	5.2187	30.2912
BFE	182	0.0079	0.0475	0.00	0.3333	6.2185	41.2277

Source: Researchers' Computation (2025).

4.2. Test of variables

This section includes crucial pre- and post-estimation tests to ensure the study's conclusions are reliable. Model efficiency was confirmed using pre-estimation methods such as the unit root test, correlation analysis, and multicollinearity, as well as post-estimation tests such as the Hausman and heteroscedasticity tests.

4.2.1. Pre-estimation test

The following tests were carried out to ensure that the chosen model's assumptions were met and that the data used for analysis were sufficient.

4.2.1.1. Variables' stationary test

As reported in Table 3, the Harris-Tzavalis panel unit root tests were conducted to examine the stationarity of the variables used in the study. The null hypothesis for each test states that the series is non-stationary, while the alternative hypothesis asserts that the series is stationary. In this regard, RCS, RCI, RCD, RCFE, BFE, and Tobin's Q all reported p-values were 0.0000. This implies strong statistical evidence that each of the panel data series is stationary over time.

Table 3: Stationary Test

Variable	Harris-Tzavalis	
	Z-value	P-value
Tobin's Q	0.3203	0.0269
RCS	-0.0016	0.0000
RCI	-0.0181	0.0000
RCD	-0.0179	0.0000
RCFE	0.0099	0.0000
BFE	-0.0000	0.0000

Source: Researchers' Computation (2025).

4.2.1.2. Correlation analysis

The correlation matrix presented in Table 4 indicates the linear associations between Tobin's Q, RCS, RCI, RCD, RCFE, and BFE of the sample industrial goods companies. There is a weakly significant but statistically insignificant relationship between Tobin's Q on the one hand and RCS, RCI, RCD, RCFE, and BFE on the other. Such findings indicate that any of the risk governance variables are directly related to Tobin's Q. The meaning of this is that the risk committee structure or board financial expertise does not seem to be the explanatory variable for the changes in Tobin's Q in a bivariate picture. Nevertheless, RCS is not insignificant, though its relationship with RCI and RCD is positive. This implies that bigger risk committees are more independent and meet on frequent occasions. Along with that, RCI and RCD are strongly and positively correlated, though to a very significant degree. This reveals that the independent risk committees also respond diligently to hold meetings. Once more, RCFE is highly related to RCI and RCD. This depicts that risk committees comprising financial professionals are also more independent and active. Similarly, BFE is not correlated with RCS or RCD; however, it has a sizeable correlation with RCI and RCFE. This implies that the financially experienced boards in the firms also lead to experts being appointed to their risk committees, and their independence is maintained. These observations mean that governmental systems are prone to march hand in hand.

Table 4: Correlation Analysis

	Tobin's Q	RCS	RCI	RCD	RCFE	BFE
Tobin's Q	1.0000					
RCS	0.0476	1.0000				
	0.5391					
RCI	0.0584	0.2766*	1.0000			
	0.4506	0.0003				
RCD	0.0304	0.2604*	0.7516*	1.0000		
	0.6952	0.0006	0.0000			
RCFE	0.0075	0.1887*	0.4401*	0.3784*	1.0000	
	0.9231	0.0140	0.0000	0.0000		

BFE	0.0003	0.0864	0.3096*	0.0314	0.4383*	1.0000
	0.9969	0.2641	0.0000	0.6856	0.0000	

Source: Researchers' Computation (2025).

4.2.1.3. Multicollinearity

As reported in Table 5, a perfect linear connection between independent variables influences the model's estimations and standard errors. Based on previously reported correlation analysis results, the degree of multicollinearity in the data distribution was assessed using the variance inflation factor (VIF) analysis. Accordingly, VIF values below 5 are normally acceptable. In this sense, all variables have figures below 5, indicating RCS, RCI, RCD, RCFE, and BFE have no multicollinearity with the other manipulated variables.

Table 5: Variance Inflation Factor

Variable	VIF	1/VIF
RCI	2.87	0.348222
RCD	2.70	0.369695
RCFE	1.50	0.668746
BFE	1.47	0.679877
RCS	1.10	0.912474
Mean VIF	1.93	

Source: Researchers' Computation (2025).

4.2.2. Post-estimation tests

Table 6 reveals some of the diagnostic tests which is used in evaluating the strength of the regression model. Ramsey RESET test came out with F-statistic 1.24 with p-value=0.2961, suggesting model specification errors. The Breusch-Pagan/ Cook-Weisberg test to check the indication of heteroskedasticity displayed a chi-square value to be 0.53, and the p-value is 0.4647, confirming the occurrence of homoscedasticity. The normality test of Shapiro-Wilk was 0.0000, meaning that the data is not normally distributed, so the variables had to be transformed. The Wooldridge test of autocorrelation showed an F-statistic of 20.282, and a p-value of 0.0007 is significant, thus indicating the occurrence of serial correlation. The fixed effects F-test had an F-value equal to 55.82 and p = 0.0000, which implies that the fixed effects model is adequate. The Breusch and Pagan Lagrange Multiplier test indicates that the test statistic was 645.5 with a value of p = 0.0000, which prefers the pooled OLS model. Nevertheless, a Hausman conducted a test whose chi-square was 0.03 with a p-value of 1.0000, indicating that the random effects were more efficient. In regard to the identified autocorrelation, Generalized Least Squares (GLS) regression was used, which yielded more credible estimations.

Table 6: Summary of Post-Estimation Test Results

Test	F-Statistic	P-value
Ramsey RESET test	1.24	0.2961
Breusch-Pagan / Cook-Weisberg test	0.53	0.4647
Shapiro-Wilk test	6.065	0.0000
Wooldridge test for autocorrelation	20.282	0.0007
F test that all ui=0: F (12, 151)	55.82	0.0000
Breusch and Pagan Lagrangian multiplier test	645.5	0.0000
Hausman Test	0.03	1.0000
Source: Researchers' Computation (2025)		

4.3. Ordinary least squares, random effect, and fixed effect models

Table 7 shows the pooled OLS, fixed effects, and random effects estimation results based on the relations between governance variables (RCS, RCI, RCD, RCFE, and BFE) and the level of Tobin's Q based on 169 firm-year observations. The F-statistic in the pooled OLS model is 0.19 (p = 0.9645), and the R-squared = 0.0059, indicating that the model is insignificant, and the result explains less than 1 % of the variance in Tobin Q. Similarly, the fixed effects model does not appear significant (F(F(5,151) = 0.45, p = 0.8120) as all the coefficients are still not significant. The Wald chi-square in the random effects model is not significant either, and its value equals 2.30 (p = 0.8069). In all three models, all the governance variables are uncorrelated to the market valuation.

Table 7: Regression Results

	Pooled OLS Model			Fixed-effects Model			Random-effects Model		
Tobin Q	Coeff.	t-value	P>|t|	Coeff.	z	P>z	Coeff.	t-value	P>|t|
RCS	0.0171	0.46	0.646	0.0039	0.24	0.814	0.0041	0.25	0.803
RCI	0.2415	0.73	0.468	0.2056	1.39	0.168	0.2062	1.40	0.162
RCD	-0.1172	-0.36	0.721	-0.1924	-1.31	0.191	-0.1913	-1.31	0.189
RCFE	-0.1728	-0.14	0.888	0.1313	0.24	0.812	0.1268	0.23	0.817
BFE	-0.2688	-0.27	0.789	-0.2994	-0.66	0.507	-0.2991	-0.67	0.503
_cons	0.7228	16.10	0.000	0.7230	36.15	0.000	0.7230	4.35	0.000
R-squared (within)				0.0147			0.0147		
R-squared(between)				0.0103			0.0128		
R-squared(overall)	0.0059			0.0033			0.0033		
F (4,227)	0.19			0.45					
Prob > F	0.9645			0.8120					
Wald chi-square							2.30		
Prob > F							0.8069		

Source: Researchers' Computation (2025).

4.4. Risk committee attributes, board financial expertise, and market performance

Table 8 presents the outcome of a cross-sectional time-series feasible generalized least squares (FGLS) regression. The model takes into consideration panel-specific autocorrelation. The Wald chi-square of 1160.05 and a p-value of 0.0001 suggest that the collection of predictors community as a group elucidates a significant amount of variance in the Tobin's Q with statistical significance. On the other hand, the coefficient of RCS is positive and significant at a 0.018 rate with a p-value of 0.0001. This implies that the market performs better with the strong structural frameworks existing in the risk committee. In addition to that, RCI exhibits a strong, positive effect (beta = 0.243, $p < 0.0001$). This means that the higher the independence of the risk committee member, the more investor confidence and firm valuation.

In the same way, the effect of RCD on the value of Tobin's Q is statistically significant but negative (beta = -0.174, $p < 0.0001$). The finding may indicate that being too diligent may have a negative impact on the ability of the firm and how they are perceived in the market. Once more, the value of RCFE also has a positive relationship with Tobin's half a dozen (beta = -0.393, $p = 0.002$). This shows that technical financial expertise can no longer ensure a better performance in the market. On the contrary, the relationship between risk committee attributes and market performance (Tobin's Q) is greatly negative and considerable as moderated by BFE (beta = -0.628, $p < 0.0001$). This shows that it undermines the positive influence of some risk committee characteristics on Tobin's Q.

Table 8: FGLS Regression Analysis

Tobin Q	coef	Std. Err.	P>z
RCS	0.0180	18.57	0.000
RCI	0.2426	25.25	0.000
RCD	-0.1737	-26.44	0.000
RCFE	-0.3927	-3.06	0.002
BFE	-0.6275	-5.26	0.000
cons	0.6933	31.93	0.000
Wald chi2(3)	1160.05		
Prob > chi2	0.0000		

Source: Researchers' Computation (2025).

4.5. Discussion of findings

This paper investigated how attributes of risk committees influenced market performance of objectively measured Tobin's Q index of listed Nigerian firms in the industry of supply of goods, and the moderating role of the financial expertise of the board confirmed through experiments. The result indicated that risk committee size ($\beta = 0.018$, $p = 0.0001$) and independence ($\beta = 0.243$, $p < 0.0001$) are important and affect market performance with positive and significant results. These indicate that larger and independent risk committees are better in terms of improved oversight, and this develops investor assurance. The findings are aligned with the total of Odubuasi et al. (2022), Malahim (2023), and Dagunduro et al. (2023), who suggested that firm value increases with structured independent governance. Similarly, the results corroborate the findings of Musa et al. (2025), which found that RCM size, expertise, meeting frequency, and membership overlaps with effective audit committees reduced both accruals earnings management and real earnings management in Nigerian listed nonfinancial firms. But they also oppose conclusions made by Malik et al. (2021), Lamidi et al. (2022), Akpan and Akai (2022), and Frank and Ukpong (2024), who described the negative and insignificant effects and claimed that structural characteristics cannot solely guarantee effective performances without active and strategic actions.

The findings further indicated that risk committee diligence ($\beta = -0.174$, $p < 0.0001$) and financial expertise ($\beta = -0.393$, $p = 0.002$) had a significant negative effect on market performance, suggesting that excessive meetings or over-engagement by the risk committee may create inefficiencies and slow decision-making, while misplaced or overly conservative application of financial expertise could stifle innovation and growth, ultimately leading to weaker market outcomes. Practically, this implies that firms should strike a balance by ensuring risk committees meet only as necessary to address key issues and that financial expertise is applied strategically, focusing on both compliance and value creation rather than overemphasizing risk aversion. These findings argue in favor of the point that excessive involvement and generality of the qualifications in the financial arena can interfere with the effectiveness of governance, notably when framed to volatility. The findings support the findings of Karim et al. (2024), which found that risk committee attributes such as size, independence, and frequency of meetings had a negative impact on accounting-based performance.

Additionally, the result showed that the moderating effect of board financial expertise was negative ($\beta = -0.628$, $p < 0.0001$), meaning that having a high level of financial expertise on board weakens the usefulness of a risk committee. This suggests that when many board members already possess strong financial knowledge, the functions of the risk committee may become redundant, leading to overlaps in tasks, duplication of efforts, or even conflicts in coordinating oversight responsibilities. In practical terms, firms should carefully balance the financial expertise distributed between the board and its committees to avoid inefficiencies. Rather than overloading both with similar expertise, organizations could assign clearer, complementary roles to ensure that the board provides strategic oversight while the risk committee focuses on specialized risk-related issues, thereby minimizing redundancy and enhancing overall governance effectiveness. This is in tandem with the work of Malik et al. (2021), Malahim (2023), Karim et al. (2024), and Agbaje et al. (2024), who have analyzed the inefficiency of technical credentials alone to improve performance unless the same is achieved with strategic consistency and coordination within the governance system. Similarly, Karim et al. (2024) found that risk committee attributes such as size, independence, and frequency of meetings hurt accounting-based performance. These results highlight the fact that corporate governance outcomes in the emerging markets are multidimensional and context specific. However, the results contradict the findings of Awotomilusi et al. (2025), which found that risk committee attributes such as size, independence, and gender diversity had a positive and significant effect on market performance of listed insurance firms in Nigeria. Similarly, the results negate the findings of Muqorobin et al. (2025) which found that the existence of a robust risk management committee moderated the effect of risk-taking behaviour on performance.

5. Conclusion and Recommendations

This study examined the effect of risk management committee (RMC) attributes; specifically, size, independence, diligence, and financial expertise on the market performance of listed industrial goods firms in Nigeria, as measured by Tobin's Q. The empirical analysis revealed that RMC size and independence had significant positive effects, suggesting that broader and more autonomous committees can enhance governance quality and investor confidence. Conversely, RMC diligence and financial expertise demonstrated significant negative impacts,

implying that excessive meetings and poorly aligned expertise may hinder firm valuation. Additionally, board-level financial expertise negatively moderates the relationship between RMC attributes and market performance, indicating potential role overlaps or governance inefficiencies when technical authority is concentrated. This study concluded that while risk committee size and independence enhance market performance, excessive diligence and financial expertise both within the committee and the board may undermine performance without strategic balance and role clarity.

In line with the outcome of the findings, the following recommendations were suggested as follows:

1) Firms should aim for a balanced RMC size that fosters diversity of opinion without leading to inefficiency. Oversized committees should be avoided to maintain decision-making agility.
2) Regulatory bodies and firm boards should ensure that RMC members are truly independent, as independence fosters objective judgment and reduces management bias in risk oversight.
3) Instead of focusing on the frequency of meetings as a proxy for diligence, firms should prioritise the quality, outcomes, and strategic relevance of committee engagements.
4) When appointing financially literate members to the RMC or board, organizations should ensure that such expertise is specifically tailored to risk management rather than general accounting or finance.
5) Firms should avoid over-concentration of financial expertise at both the board and RMC levels, as overlapping competencies may hinder clear governance processes and lead to strategic conflicts.
6) Regulators such as the Financial Reporting Council of Nigeria (FRCN) and the Nigerian Exchange Group (NGX) should consider revising corporate governance codes to reflect the need for role alignment and functional balance in risk governance structures.

These findings offer several insights. First, structural elements like RMC size and independence appear to support market performance in the Nigerian industrial goods sector, likely by enhancing transparency and investor confidence. However, diligence and financial expertise, though traditionally viewed as strengths, may yield diminishing or even adverse returns when overemphasized or misaligned. Lastly, the moderating role of board financial expertise reveals that excessive overlap in expertise across governance layers may hinder rather than help performance, emphasizing the need for balance over duplication. This study contributes to the governance-performance discourse by highlighting the sector-specific dynamics of RMC attributes in an emerging market context. It challenges the assumption that more structure or expertise automatically equates to better market outcomes, instead underscoring the importance of strategic alignment, functionality, and balance within governance frameworks. These findings call for deeper consideration of how governance configurations are deployed and perceived in capital markets, especially in sectors like industrial goods that are sensitive to macroeconomic and operational volatility. Lastly, examining the role of digital tools in risk management or cross-country comparisons can be explored in future studies.

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