INVESTIGATING BOARD SIZE AS A DETERMINANT OF RISK DISCLOSURE BY DEPOSIT MONEY BANKS IN NIGERIA

By

Professor Ambrose A. Okwoli[1], Mabur Zumbung Danladi[2] *and* Samson I. Nyahas[3]

[1]Department of Accounting, University of Jos, Nigeria
[2]Department of Accounting, Plateau state University, Bokkos, Nigeria
[3]Department of Accounting, University of Jos, Nigeria
Corresponding Author: zumbungson1@gmail.com
Phone number: +234 8032248298

ABSTRACT

The purpose of the paper is to investigate the relationship between board size and risk disclosure in the Nigerian context. Considering the 14 deposit money banks listed on the stock exchange, a Partial least squares- structural equation model was run to examine the influence of board size on the extent of risk disclosure measured through an index based on the information disclosed in their annual reports. Findings from the analysis revealed that board size has a significant relationship with the risk disclosure of deposit money banks in Nigeria. The possible explanation for such a situation could be the fact that as some of the members of the board are outsiders, they would want the banks to disclose their risk related information so that they can properly partake in the decision making process of the organisation when the time comes. The implication of this finding in the banking sector is that, board size is important in determining the level of risk disclosure of Deposit money banks in Nigeria. It is therefore recommended that policy makers should ensure that the number of members of a board be increased from the normal minimum of five (5) to nine (9) as such larger boards lead to diversity that would assist firms in safeguarding their resources and as well, lessen the uncertainties in their operating environment and ensure effective management decision including effective risk disclosure.

Key words: Board, risk, disclosure, size

1.0 INTRODUCTION

1.1 Background of the Study

Deposit money banks are resident depository corporations and quasi-corporations which have some liabilities in the form of deposits payable on demand, transferable by cheque or otherwise usable for making payments (Organization of Economic Cooperation and Development- OECD, 2014). The financial scandals that have affected the corporate world in the early part of 2000 are attributable to weak corporate governance (Wells, 2005; Onyekwelu & Onyeka, 2014). In the Nigeria context, corporate scandals have been seen in both financial and non-financial institutions. For example, the case of Cadbury Nigeria where their account was overstated by 13 billion naira between 2002 and 2005 (Muraina, et al., 2010); Oceanic bank Nigeria where the Managing Director/Chief Executive Officer- Mrs Cecilia Ibru was accused of various inappropriate and illegal conducts (BBC News, 2010) and Intercontinental bank, where the Chief

Executive Officer was accused by the EFCC of various misconducts in his management of the bank ranging from insider abuse, theft, manipulation of shares to economic crimes running into billions of naira (The Nation, 2012), are among several cases witnessed in the country. Thus, disclosure by corporate bodies is a necessary ingredient for the survival of an entity. Risk disclosure is the inclusion of the financial records of an organization of issues about managers' estimates, judgments, reliance on market based accounting policies such as impairment, derivative hedging, financial instruments and fair value as well as the disclosure of concentrated operations, non-financial information about corporations' plans recruiting strategy and other operational, economic, political and financial risk (Hassan, 2009).

Understanding risk associated with the banking industry is very relevant in the Nigerian context where the banking sector has witnessed a lot of corporate scandals leading to the collapse of many banks in the desire of economic growth and development/transformation. Examples of such scandals are seen in the case of the then Intercontinental Bank and Oceanic Bank in 2008. In these cases, the banks were able to deceive investors and the general public through creative accounting and concealing operational, transactional and financial risk in their annual reports. This further buttresses the need to promote risk disclosure by banks in Nigeria (Sahara Reporters, 2011).

And in an effort to promote corporate disclosure, the Securities and Exchange Commission (SEC) requires that banks should in addition to the mandatory disclosure requirements of capital markets provide more information on risk (SEC, 2008). However, the main challenge here is that most banks in Nigeria have reputation of low adherence to such codes (Sanusi, 2010). This position is supported by the World Bank Report on Observation of Standards and Codes (ROSC, 2011, 2004). This scenario if not checked has the capacity to erode investors' confidence in the banking sector thereby leading to corporate failure. Therefore, there is the need to understand the determinants of risk disclosure in the Nigerian context.

Studies have associated risk disclosure with such factors as corporate governance elements like ownership structure, board size, board structure, auditor type and board independence (Kakande, Salim, Chandren, 2017; Ntim & Soobaroyen, 2013). Most of these studies seem to be coming from developed nations and concentrating on other aspects of the economy other than the banking industry. However, this study concentrates on board size as a major determinant of risk disclosure in the banking industry with respect to Nigeria – a developing country. It is specifically concentrating on the deposit money banks.

1.2 Objective of the Study
The objective of the study is to examine if board size has a significant relationship with the risk disclosure by deposit money banks in Nigeria.

1.3 Research Question
To what extent does board size determine the level of risk disclosure by deposit money banks in Nigeria?

2.0   LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

The theoretical framework relating to risk disclosures is dominated by the agency theory (Jensen & Meckling, 1976). Agency theory, is based on the assumption that, both managers and shareholders are utility maximizers (Jensen & Meckling, 1976). But managers are in a better position to maximize their utility to the detriment of the shareholder because they are in a position of information that the shareholders do not (information asymmetry). The shareholders only get information through corporate disclosure such as risk disclosures in annual reports. To align the interest of both shareholders and managers, agency theory prescribes control mechanisms such as corporate governance on firm attributes like size.

Some other key concepts relating to the study include the following:

1)   **Regulatory Framework for Corporate Disclosures of Deposit Money banks in Nigeria:** The phenomenon of interest in this study is corporate risk disclosure of deposit money banks, therefore, there is the need to understand the regulatory framework guiding disclosure practices of banks within the geographical setting of the study. The geographical scope of the study is Nigeria hence, the need to appreciate the disclosure environment in Nigeria. In view of that, the study provides an explanation of both the legal framework as well as regulatory agencies guiding corporate disclosure in Nigeria.

The statute guiding corporate accounting and auditing in Nigeria is the Companies and Allied Matters Act (CAMA, 1990). This legislation has voluminous provisions that include requirements for auditing and financial reporting, information disclosures, and preparation and publication of financial statements. The law is applicable to all corporate bodies including banks. It provides in S.63(3) that the business of the company shall be managed by the board of directors and concludes by vesting all powers of the company upon the board, save those expressly reserved for the members in general meeting. Among such powers vested upon the board is the provision of S.283 (1) that directors are trustees of the company's monies, properties and as such must account for all the moneys over which they exercise control and shall refund any moneys improperly paid away. Subsection (2) thereof similarly provides that a director may, when acting within his authority and the powers of the company, be regarded as agents of the company. However, it has been suggested by Lorsch and MacIver (2008) that many large corporations have dominant control over business affairs without sufficient accountability to, or monitoring by, their Board of Directors. A pre-condition for accountability is transparency or full disclosure of relevant information especially through the financial reporting process.

The apex regulatory body in the Nigerian capital market; the Securities and Exchange Commission (SEC) requires more disclosures as part of corporate governance practice. SEC is responsible for issuing the Nigerian Code of Corporate Governance (NCCG) to be observed by banks and all other companies participating in the Nigerian Stock Exchange market. In an effort to promote governance practice, therefore, the NCCG (2011) lays emphasis on disclosure of social, environmental, ethical, and forward-looking as well as governance information. These are considered to be essential in ensuring transparency and accountability of listed firms in the country to a wide range of stakeholder groups (SEC, 2006). SEC, however, makes compliance with such requirements voluntary (comply or

explain). In addition, the regulators in the Nigerian financial sector issue separate codes of corporate governance which are only applicable to companies operating in the financial sector due to the high risk these institutions face. These are the Central Bank of Nigeria (CBN), Code of Corporate Governance (2006), Pension Commission Code (2008) and the National Insurance Commission Code (2009).

2. **Basel Committee:** The Basel Committee on Banking Supervision (BCBS) is a committee of banking supervisory authorities that was established by the central bank governors of the G10 countries in 1974. It provides a forum for regular cooperation on banking supervisory matters. Its objective is to enhance understanding of key supervisory issues and improve the quality of banking supervision worldwide. The Committee frames guidelines and standards in different areas - some of the better known among them are the international standards on capital adequacy, the Core Principles for Effective Banking Supervision and the Concordat on cross-border banking supervision. The Committee's secretariat is located at the Bank for International Settlements (BIS) in Basel, Switzerland. The Bank for International Settlements (BIS) hosts and supports a number of international institutions engaged in standard setting and financial stability, one of which is BCBS. Yet like the other committees, BCBS has its own governance arrangements, reporting lines and agendas, guided by the central bank governors. The BCBS has developed a series of highly influential policy recommendations known as the Basel Accords. These are not binding, and must be adopted by national policymakers in order to be enforced, but they have generally formed the basis of banks' capital requirements in countries represented by the committee and beyond.

The first Basel Accords, (or Basel I) was finalized in 1988 and implemented in the G10 countries, at least to some degree, by 1992. It developed methodologies for assessing banks' credit risk based on risk-weighted assets and published suggested minimum capital requirements to keep banks solvent during times of financial stress. Basel I was followed by Basel II in 2004 who's focus was to amend international banking standards that controlled how much capital banks were required to hold to guard against the financial and operational risks banks face. This was in the process of being implemented when the 2008 financial crisis occurred. Basel III attempted to correct the miscalculations of risk that were believed to have contributed to the crisis by requiring banks to hold higher percentages of their assets in more liquid forms and to fund themselves using more equity, rather than debt.

3. **Concept of Risk Disclosure**: The early analytic work on information economics is attributed to Grossman (1981) and Milgrom (1981) who suggest that managers of firms will release all information (full disclosure) they possess regardless of whether the information is good or bad. This is known as the disclosure principle. Early literature on disclosure also suggests that managers will voluntarily report all information to maximize the value of the company (Viscusi, 1978; Grossman & Hart, 1980; Grossman, 1981; Milgrom, 1981; Verrecchia, 1983; Dye, 1985, 1986; Jung & Kwong, 1988). Based on the seminal results of Grossman (1981) and Milgrom (1981) on corporate disclosure policy, Suijs (2007) summarizes the assumptions required for the disclosure principle to apply. According to Suijs (2007) there are five assumptions as follows: (i) the disclosure is costless, (ii) investors know that the firm has private information, (iii) the firm can credibly disclose its private

information to investors, (iv) all investors will respond to disclosure decision in the same way and (v) the firms know how investors will respond to disclosure of its private information.

The disclosure principle introduced by Grossman (1981) arises from the so-called unravelling arguments (Suijs, 2007; Shin, 1994). In its simplest form, unravelling arguments suggest that if all those five assumptions above are satisfied, then a company will continue to unravel of its private information until it attains full disclosure results. However, the recent study by Suijs (2007) concludes that previous analytic research on the disclosure principle demonstrates that firms are not inclined to provide full disclosure.

Earlier study about full disclosure by Milgrom (1981) focuses on the concept of the favourableness of news. He applies this concept into his security market model and moral hazard model. In each of the models, the analysis was driven by a strategy for full disclosure by a company. First, in the security market model, Milgrom (1981) argues that the disclosure of favourable news about a security's future returns will cause the security price to rise. Second, in the moral hazard model of principal-agent, Milgrom (1981) argues that when the agent's effort is evidenced by high profits, the optimal incentive contracts entails a steeper fee schedule than does any efficient risk sharing contract. Jung and Kwong (1988) introduce a study on the notion of uncertainty about the existence of private information by managers. They argue that when investors believe that managers have received information but there is a probability that they have not disclosed it, the investors will infer the content of such information to be unfavourable. Additionally, Jung and Kwong (1988) argue that the possibility that investors have acquired credible information from other independent sources such as financial press or financial analyst may result in the disclosure of information by managers rather than to withhold the information in the first place.

4. **Risk Reporting and the Banking Industry:** A large number of financial institutions collapsed during the Global Financial Crisis (GFC) of 2007-2008 and that raised significant concern in global credit markets about their performance and risk governance (Erkens, Hung & Matos 2012; Fahlenbrach & Stulz, 2011). Thereafter, some studies have examined the performance of corporate governance and additional attention has been paid to banks' risk management (Adams, 2012; Bebchuk, 2010; Beltratti & Stulz, 2012; Erkens, Hung & Matos, 2012).

Banking crises have been a common phenomenon throughout history; indeed, banks are at the center of financial crises (Barth & Landsman, 2010). To some extent, banking crises are like periodic events that 'unexpectedly emerge from the earth' (Laeven, 2011). Reinhart and Rogoff (2013) count 268 banking crises over the period from 1800 through to 2008. Bordo, Eichengreen, Klingebiel and Martinez-Peria (2001) revealed that the frequency of banking crises has been increasing in recent decades. Reinhart and Rogoff (2013) argue that the historical frequency of banking crises is quite similar in high- and middle-to-low-income countries, with quantitative and qualitative parallels in both the run-ups and the aftermath. The National Commission on the Causes of the Financial and Economic Crises in the U.S. (2011) concluded that dramatic failures of corporate governance at many systematically important financial institutions were a key cause of financial crises.

The lack of risk management and failure of governance mechanisms are cited commonly as the key contributing factors to the GFC of 2007-2008 (Aebi, Sabato & Schmid, 2012; Beltratti & Stulz, 2012; Strebel, 2009). These raise several questions for regulators with respect to corporate governance and banks and for testing the value of 'risk governance' and 'corporate governance' (Aebi, Sabato & Schmid, 2012; Fahlenbrach & Stulz, 2011). Bebchuk (2010) suggests that excessive risk taking in the financial sector performed a key role in the financial crisis of 2007-2008. Beltratti and Stulz (2012) argue that banks with poor governance were involved in excessive risk taking responsible for huge losses during the financial crisis. Goddard, Molyneux and Wilson (2009) report an estimation of $2.7 tn (trillion) for write downs of the US – originated assets by banks and other financial institutions between 2007- 2010 and the estimated write downs for all mature market-originated assets for the same period are in the region of $4tn (trillion).

Accordingly, the financial crisis of 2007-2008 led to a slowdown in the global economy and a further awareness of and need for appropriate risk governance structures within banking institutions (Aebi, Sabato & Schmid, 2012). It is logical that banks that identify and analyze risks earlier than their business counterparts will be better positioned to avoid or mitigate potential risks and can create value for investors by fostering understanding of the risk profile of invested businesses. For example, Solomon et al. (2000) found stakeholders strongly demand corporate risk disclosure to improve their investment decisions. Beretta and Bozzolan (2004) argue that effective risk communication minimizes investment risks and builds opportunities for stakeholders. Therefore, annual reporting of risk is needed to make available worthwhile disclosure to stakeholders in making their investment decisions (Milne, 2002).

5. **Board Size and Risk Disclosure:** Board size (BS) is considered as one of the significant dimensions of board characteristics, and it is the overall number of directors (executive and nonexecutives) serving on the board of a company (Vafeas, 1999). It has been argued that larger boards lead to diversity that would assist firms in safeguarding their resources and as well, lessen the uncertainties in their operating environment and ensure effective management decision including effective risk disclosure (Dahya & McConnell, 2005). On the basis of agency theory, a larger board size ensures effective oversight of management activities that condenses the power of the CEO on the board, hence, increasing performance (Singh & Harianto, 1989).

According to Monks and Minow (2011), larger boards devote ample time and put in significant effort unlike small boards in overseeing and controlling management. Previous studies found a significant positive association between BS and information disclosure (Andres & Vallelado, 2008). In contrast, Xie, Davidson, and DaDalt, (2003) found a negative relationship. Other studies also found the informational advantage of BS to institutional investors (Gompers, Ishii, & Metrick, 2003; Dahlquist & Robertson, 2001). From the above, the following hypothesis is formulated in a null form.

$H0_1$: *There is no significant relationship between board size and Risk disclosure of Deposit Money Banks in Nigeria.*

3.0 METHODOLOGY

This study adopts the positivist philosophical assumption. This is so, because of what Bhattacheriee (2012) says that if a researcher sees the phenomenon under study as being structured in nature (ontology) and if the researcher is to study patterns of behaviours, then the best way to study such a phenomenon is to use objective approach (epistemology). The objective approach is independent of the person conducting the observation or interpretation, such as by using standardized data collection which is in line with positivistic philosophical assumptions. In this study, we see risk disclosure as being structured in nature. It is structured because there are well-defined guides for identification of it in the annual reports.

This study employs a survey design that is cross-sectional in nature to examine the relationship between the predictor variable (board size) and risk disclosure. The study population comprises of all the 14 listed deposit money banks on the Nigerian Stock Exchange as at December 2018 (Table 1). This includes deposit money banks that are listed on the Nigerian Stock Exchange (NSE) and are still actively participating as at the time of data collection for this study. Data for the analysis were extracted from the annual reports of the banks as at December, 2018 following the retrospective nature of reports.

Table 1: Lists of Quoted Deposit Money Banks in Nigeria

S/N	Name of Deposit Money Bank	Office Address	Website
1.	Access Bank Plc	999c, Danmole Street, Off Adeola Odeku Street, Victoria Island, Lagos	www.accessbankplc.com
2.	Fidelity Bank Plc	2, Kofo Abayomi Street, Victoria Island, Lagos.	www.fidelitybank.ng
3.	First City Monument Bank Plc	PGD's Place, Plot 4, Block 5, BIS Way, off Lekki-Epe Express way, Lagos.	www.fcmb.com
4.	Firstbank of Nigeria Limited	Samuel Asabia House, 35, Marina, Lagos.	www.firstbanknigeria.com
5.	Guaranty Trust Bank Plc	635, Akin Adesola Street, Victoria Island, Lagos.	www.gtbank.com
6.	Polaris Bank Ltd (Formerly Skye)	3, Akin Adesola Street, Victoria Island, Lagos.	www.polarisbanklimited.com

7.	Union Bank of Nigeria Plc	Stallion Plaza, 36, Marina, Lagos.	www.unionbanking.com
8.	United Bank of Africa	UBA House, 57, Marina, Lagos	www.ubagroup.com
9.	Zenith Bank Plc	Plot 84, Ajose Adeogun Street, Victoria Island, Lagos	www.zenithbank.com
10.	Ecobank Nigeria Plc	21, Ahmadu Bello way, VI, Lagos	www.ecobank.com
11.	Stanbic IBTC Bank Plc	IBTC Place, Walter Carrington Crescent, VI, Lagos	www.stanbicibtc.com
12.	Sterling Bank Plc	Sterling Towers, 20 Marina, Lagos	www.sterlingbanking.com
13.	Unity Bank Plc	Plot 42, Ahmed Onibudo Street, VI, Lagos	www.unitybanking.com
14.	Wema Bank Plc	Wema Towers, 54, Marina, Lagos	www.wemabank.com

Source: Nigerian Stock Exchange Fact book 2008/the Stalwart Report com. 2016, page 5

3.1 Data Presentation and Analysis

The statistical tool used for testing the hypotheses is the partial least squares (PLS)- Structural Equation Model (SEM) as it provides accurate out-of-sample forecasts of returns and cash-flow growth (Kelly, Bryan, Pruitt & Seth, 2013). However, the regression model for testing the hypotheses was estimated in the form thus:

Rdisclosure = bo+biBS+ej

Where:

Rdisclosure	= Risk Disclosure
BS	= Board Size
bo	= Constant
b1	= Regression coefficients
ej	= error term

For the operationalization of the study variable; board size is measured as the total number of directors on a company's Board in line with earlier studies (Imam & Malik, 2007; Kakanda, Salim & Chandren, 2017 & Vafeas, 1999).

And from the disclosure literature, risk disclosure is measured using the index approach. The disclosure checklist is made up of seven (7) information items of risk disclosure in areas such as general risk information, accounting policies, financial instruments, derivatives hedging, reserves, segment information and financial and other risks (Elkelish & Hassan, 2014). The unweighted approach is used to score the items on the disclosure checklist.

Table 2: Computation of Disclosure Index

Name of Bank	Gen. Risk Info.	Accounting Policies	Financial Instrument	Derivative Hedging	Reserves	Segment Info.	Finan.& Other Risks	Total	Disclo. Index	Board Size	Leverage	Board Size	Board Indep.
ACCESS	1	1	1	0	1	1	0	5	0.714285714	15	8.00208	15	0.27
ECOBANK	1	1	1	1	1	1	0	6	0.857142857	15	14.4592	15	0.4
FBN	1	1	1	1	1	0	1	6	0.857142857	12	0.03103	12	0.25
FCMB	0	1	0	1	1	0	1	4	0.571428571	10	0.0129	10	0.2
FIDELITY	0	1	1	1	1	1	0	5	0.714285714	12	7.51172	12	0.17
GTBANK	1	1	1	0	1	1	0	5	0.714285714	14	4.29952	14	0.21
STANBIC IBTC	0	1	1	1	1	1	0	5	0.714285714	10	0.056618	10	0.2
STANDARD CHARTERED	1	1	1	1	1	0	0	5	0.714285714	12	12.67894	12	0.67
STERLING	0	1	1	0	1	1	0	4	0.571428571	12	10.07934	12	0.17
UNION	1	1	1	0	1	1	1	6	0.857142857	15	5.618606	15	0.13

UBA	1	1	1	1	1	0	1	6	0.857142857	19	8.85004	19	0.21
UNITY	0	1	1	0	1	1	0	4	0.571428571	9	-1.96836	9	0.11
WEMA	0	1	1	0	1	1	1	5	0.714285714	12	6.75552	12	0.17
ZENITH	1	1	1	1	1	1	0	6	0.857142857	11	6.35046	11	0.18

In order to test for normality of the data collected, the Kolmogorov-Smirno and Shapiro-Wilk Tests were conducted considering the small sample size (14), and the computations and results are as follows:

Table 3: Kolmogorov-Smirnov and Shapiro-Wilk Tests

Test of Normality:

		Kolmogorov-Smirnov			Shapiro-Wilk		
	Mean	**Statistic**	**df**	**Sig.**	**Statistic**	**df.**	**Sig.**
Boardsize	4.00	.367	5	.066	.684	5	.056
Disclo.Ind	2.00	.201	26	.078	.926	26	.061

From the results shown on table 3, both tests are significant (p>0.05). The data therefore, meets the assumption of normality. The descriptive statistics was analyzed to check if the statistical mean of the data provides a good fit of the observed data and whether the study variables have relationships (correlation). The computation and the following results were found:

Table 4: Descriptive Statistics for the Study Variables

	Min	**Max**	**Mean**	**Std Dev**
Risk disclosure	3.00	5	4.1429	0.77033
Board size	3.00	5.00	3.7857	0.57893

The descriptive statistics for the study variable shown on Table 4 indicates that the mean scores of the latent variables is around 3, on a 5-point Likert scale, while the standard deviation ranges between 0.57 and 0.77. The standard deviation is small relative to their respective means, implying that the statistical mean provides a good fit of the observed data. This agrees with the finding of Field (2009).

For the correlation, whose aim is to find out if the independent variable in the study has a relationship with the dependent variable, the Pearson correlation is used and the following were obtained:

Table 5: Correlations of the Study Variables

Board size (1)

Risk Disclosure (2) .380[##]

   [##]Correlation is significant at the 0.01 level (2-tailed)

Table 5 reveals that Board size correlates with risk disclosure ($r = 0.380$, $p \leq .01$). However, to find out if the relationship is significant or not, leads us to the tests of hypotheses in the next section.

Having established that the study variables are correlated with the dependent variable, Structural Equation Modeling (SEM) was then employed to test the significance of such relationships and hypothesis earlier formulated in the study. A structural model was run to test the relationships between the study variables. The results are shown on Figure 1 and Table 6 below:
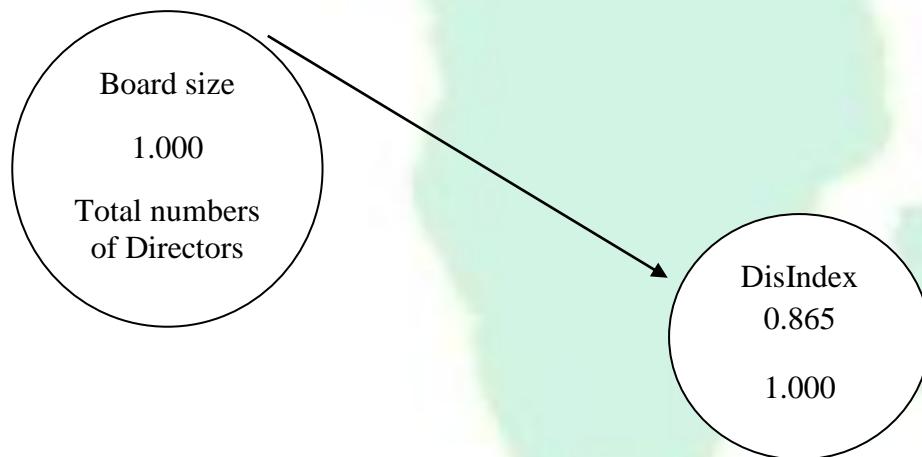

Figure 1: Structural Model with Path Coefficients

Table 6: Results of Direct Paths of all the Variables

	B	t-value	p-value
Board size--------------------------------risk disclosure	-0.159	0.278	0.000

$$R^2 = 0.8667, adj.R^2 = 0.172, p = 0.000$$

4.0 RESULTS AND DISCUSSION

The decision rule is that if the p-value is less than the level of significance of 0.05, the null hypothesis will be rejected while the alternate hypothesis is accepted. But if the p-value is greater than the level of 0.05, we fail to reject the null hypothesis and reject the alternate. As shown in Figure 1 and Table 6 above, the standardized Beta-value for Board size on risk disclosure is 0.159, suggesting that this path is statistically significant at $\alpha = 0.05$. Given that the p-value 0.000 is less than the significant level of 0.05 as shown in Table 6, we reject the null hypothesis which states that board size has no significant relationship on the risk disclosure of deposit money banks in Nigeria, while the alternate hypothesis is accepted, meaning that board size has a significant relationship with the risk disclosure of deposit money banks in Nigeria. In other words, an increase in the size of the boards of banks, such will influence the level of risk disclosure that the banks will be ready to release.

This finding is supported by Dahya and McConnell (2005) who argued that larger boards lead to diversity that would assist firms in safeguarding their resources and as well, lessen the uncertainties in their operating environment and ensure effective management decision including effective risk disclosure. Furthermore, previous studies found a significant positive association between board size and information disclosure (Andres & Vallelado, 2008). Finally, other studies also found the informational advantage of BS to institutional investors (Gompers, Ishii& Metrick, 2003; Dahlquist & Robertson, 2001). In contrast to the above finding, Xie, Davidson and DaDalt (2003) found a negative relationship between board size and disclosure.

This finding is in line with the agency theory because a larger board size ensures effective oversight of management activities that condenses the power of the CEO on the board, hence, increasing performance which includes risk disclosure (Singh & Harianto, 1989), The implication of this finding to the banking sector and the economy is that board size is not independent of the risk disclosure of Deposit money banks.

5.0 CONCLUSION AND RECOMMENDATION

This study is undertaken on the Nigerian environment. The research developed index to measure the quantity of risk disclosure consisting of seven points; general risk information, accounting policies, financial instruments, derivative hedging, reserves, segment information and financial and other risks. The researcher also investigated board size as a determinant or driver of risk disclosure by Nigerian listed deposit money banks. Results of the statistical analysis revealed that board size has a significant influence on the disclosure of risk information by deposit money banks in the Nigerian context. It is therefore recommended that, policy makers should ensure that the number of board members should be increased from the normal minimum of 5 to 9 as such larger Boards lead to diversity that would assist firms in safeguarding their resources and as

well, lessen the uncertainties in their operating environment and ensure effective management decision including effective risk disclosure.

6.0 IMPLICATIONS

There are several practical implications of the current study for academic and practitioners. The study contributes to the accounting literature in general, and specifically to the literature on risk disclosure. It provides empirical evidence from the Nigerian business environment - a developing country, that board size is very fundamental in assessing a bank's risk disclosure level. Furthermore, the finding has implications for regulators, accounting standard setters and legislators may wish to take cognizance of this in developing external rules and regulations concerning disclosure. For example, the emphasis should be placed on social, ethical, and environmental issues since these are key for understanding and long-term sustainability of current earnings.

REFERENCES

Ahmed, K., & Nicholls, D. (1994). *The impact of non-financial company characteristics on mandatory disclosure in developing countries: The case of Bangladesh*. International Journal of Accounting Education and Research, 29(1), pp. 62-77.

Barako, D. G., Hancock, P., & Izan, H. Y. (2006). *Factors influencing voluntary corporate disclosure by Kenyan companies*. Corporate Governance: An International Review, 14(2), pp. 107-125. http://dx.doi.org/10.1111/j.1467-8683.2006.00491.x

BBC News (9th October, 2010), http://www.bbc.co.uk/news/world-africa

Bhasin, M. L., Makarav, R. R., & Orazalin, N.S. (2012). *Determinants of Voluntary Disclosure in the Banking Sector: An Empirical Study*. International Journal of Contemporary Business Studies, 3(3), pp. 60-70.

Bhatia, A., & Tuli, S. (2017). *Corporate attributes affecting sustainability reporting: An Indian perspective*. International Journal of Law and Management, 59(3), pp. 20.

Central Bank of Nigeria, 2018 Bulletin.

Cerf, A. R. (1961). *Corporate reporting and investment decisions*. University of California Press, California, CA.

Elkelish, W. W., & Hassan, M. K. (2014). *Organizational culture and corporate risk disclosure. An empirical investigation for United Arab Emirate listed companies*. International Journal of commerce and management, 24(4), pp. 279-299.

Fama, E. F., & Jensen, M. C. (1983). *Separation of ownership and control*. Journal of Law and Economics,26(2), pp. 301-325.

Field, A. (2009). *Discovering statistics using SPSS*. Third Edition. SAGE Publications.

Gul, F. A. & Leung, S. (2004). *Board leadership, outside directors' expertise and voluntary corporate disclosures*. Journal of Accounting and Public Policy, 23(5), pp. 351-379. http://dx.doi.org/10.1016/j.jaccpubpol.2004.07.001

Habbash, M., Hussainey, K., & Awad, A. E. (2016). *The determinants of voluntary disclosure in Saudi Arabia: An empirical study*. International Journal of Accounting, Auditing and Performance Evaluation,12(3), pp.213-236. http://dx.doi.org/10.1504/ IJAAPE.2016. 077890

Haniffa, R. M., & Cooke, T. E. (2002). *Culture, corporate governance and disclosure in Malaysian corporations*, ABACUS,38(3), pp. 317-350. http://dx.doi.org/10.1111/1467-6281.00112

Hassan, A. (2009). *Risk management practices of Islamic banks of Brunei Darussalam and Islamic banks in Bahrain*. The Journal of Risk Finance,8(4), pp. 394-409.

Hoggson, N. F. (1926). *Banking through the ages*. New York, Dodd, Mead & Company.

Hossain, M., & Hammami, H. (2009). *Voluntary disclosure in the annual reports of an emerging country: The case of Qatar. Advances in Accounting*, 25(2), pp. 255-265. http://dx.doi.org/10.1016/j.adiac.2009.08.002

Hossain, M., Tan, L. M., & Adams, M. (1994). *Voluntary disclosure in an emerging capital market: Some empirical evidence from companies listed on the Kuala Lumpur Stock Exchange*. The International Journal of Accounting, 29(4), pp. 334-351.

Huafang, X., & Jianguo, Y. (2007). *Ownership structure, board composition and corporate voluntary disclosure*, Managerial Auditing Journal, 22(6), pp. 604-619. http://dx.doi.org/10.1108/02686900710759406

Iatridis, G., & Alexakis, P. (2012). *Evidence of voluntary accounting disclosures in the Athens Stock Market*. Review of Accounting and Finance, 11(1), pp. 73-92. http://dx.doi.org/10.1108/ 14757701211201830

Jensen, M., & Meckling, W. (1976). *Theory of the firm: Managerial behavior, agency costs and ownership structure*. Journal of Financial Economics, 3(1), pp. 305-360.

Kelly, B., & Pruitt, S. (2013). *Market expectations in the cross-section of present values*. The Journal of Finance, 68(5), pp. 1721–1756.

Lan, Y., Wang, L., & Zhang, X. (2013). *Determinants and features of voluntary disclosure in Chinese stock market*. China Journal of Accounting Research, 1, pp. 265-283 available online on www.elsevia.com/locate/jan

Leventis, S., & Weetman, P. (2004). Impression management: dual language reporting and voluntary disclosure. Accounting Forum, 28(1), pp. 307-328. http://dx.doi.rg/10.1016/ j.accfor.2004.07.004

Lim, S., Matolcsy, Z., & Chow, D. (2007). *The association between board composition and different types of voluntary disclosure*, European Accounting Review,16(3), 555-583. http://dx.doi.org/10.1080/09638180701507155

Muraina, A., Okpara, E., & Ahunanya, S. (2010). *Transparency in corporate governance: A comparative study of Enron, USA and Cadbury PLC, Nigeria*. The Social Sciences, 5(6), pp. 471- 476.

Naser, K., Alkhatib, K., & Karbhari, Y. (2002). *Empirical evidence on the depth of corporate information disclosure in developing countries: The case of Jordan*. International Journal of Commerce & Management,12(1), 122-34. http://dx.doi.10.1108/eb047456

Onyekwelu, U. L., & Onyeka, V. N. (2014). *Financial risk management. A review of the role of Central Bank of Nigeria*, 5(4).

Saharareporters.com/2011/04/04/http//uk

Sanusi, L. S. (2010). *The Nigerian banking industry - What went wrong and the way forward*. A Convocation Lecture.

Schuster, P., & O'Connell, V. (2006). *The trend towards voluntary corporate disclosure*. Journal of management Accounting Quarterly,25(1), pp. 7-21

Securities and Exchange Commission, Nigeria, 2008

Soliman, M. M. (2013). *Firm characteristics and the extent of voluntary disclosure. The case of Egypt*. Research Journal of Finance and Accounting,4(17), pp. 2222-2847

Solomon, J. F., Solomon, A., Norton, S. D., & Joseph, N. L. (2000). *A conceptual framework for corporate risk disclosure emerging from the agenda for corporate governance reform*. The British Accounting Review, 32(4), pp. 447-478.

Souissi, M., & Khlif, H. (2012). *Meta-analytic review of disclosure level and cost of equity capital*. International Journal of Accounting and Information Management, 20(1), pp. 49-62. http://dx.doi.org/10.1108/18347641211201072

United Nations Conference on Trade and Development (UNCTAD 2016). Singapore Journal of Legal Studies, 12(2), pp. 1-28.

Uyar, A., Kilic, M., & Bayyur, N. (2013). *Association between firm characteristics and corporate voluntary disclosure: Evidence from Turkish listed companies*. Intangible Capital, 9(4), pp. 1080-1112. http://dx.doi.org/10.3926/ic.439

Wallace R. S. O., Naser, K., & Mora, A. (1994). *The relationship between the comprehensiveness of corporate annual reports and firm characteristics in Spain*. Accounting and Business Research, 25(9), pp. 41-53. http://dx.doi.org/10.1080/0001 4788. 1994.9729927

Wells, J. T. (2005). *New approaches to fraud deterrance.Business Credit*, 107(2), pp. 33

Ziba, E., & Asadi, A. (2016). *The study of relationship between corporate characteristics and voluntary disclosure in tehran stock exchange*. International Business Management, 10(8), pp. 1393-1399.