



# “Does enterprise risk management impact accounting quality? Evidence from the Nigerian financial institutions”

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# DOES ENTERPRISE RISK MANAGEMENT IMPACT ACCOUNTING QUALITY? EVIDENCE FROM THE NIGERIAN FINANCIAL INSTITUTIONS

## Abstract

This research empirically looked at Enterprise Risk Management impact on accounting quality of selected listed firms in the Nigerian financial sector. The study engaged the use of content analysis of the selected listed firms' annual financial reports and corporate websites in determining the ERM disclosure index and its impact on accounting quality for a period of five years (pre-ERM period) (2007–2011) and another five years period (post-ERM period) (2013–2017). In attaining the proposed objectives, the study employed the panel Generalized Method of Moments estimator to test the hypotheses and find out the relationship between the variables. The study observed from the findings that there is no significant association between enterprise risk management and accounting quality during the pre-ERM period. This study adds to the body of knowledge in the area of corporate reporting, risk disclosure, risk management and accounting quality in emerging economies especially the Sub-Saharan African countries.

## Keywords

accounting quality, discretionary accruals, risk management, Nigerian financial sector

## JEL Classification

M4, M42

## INTRODUCTION

Trends in the accounting literature have shown that Enterprise Risk Management (ERM) in recent years has received global attention as a result of the financial crisis that engulfed most corporate institutions in the wake of 2008. Not only is ERM believed to have enhanced firm's ability to prevent the impact of economic crisis, it is believed that it will bring about an improved value relevance of accounting information for firms practising ERM (COSO, 2004). The support for ERM in most countries of the world today is a salient success in mitigation of further economic crisis and improvement in the quality of accounting information (Dabari & Saidin, 2015). In Nigeria, the research on ERM has gained prominence due to corporate scandals (Cadbury Nigeria in 2006; Banking crisis in 2009) experienced in recent times. The recognition of ERM worldwide is a significant step towards corporate transformation, which has birthed key areas in accounting research; some of which include risk governance, corporate governance, corporate monitoring and corporate ownership (Daud, Haron, & Ibrahim, 2011). It is believed that the complexity of financial dealing, increase in global cross border transactions, business uncertainty and volatility in financial markets have brought to the fore the recognition and practice of ERM.