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- I. Title page
- II. Abstract (150-250 words)
- III. Keywords (3-5)
- IV. Introduction
- V. Literature Review
- VI. Methodology
- VII. Results and Discussion
- VIII. Conclusion and Recommendations
- IX. References (APA 7th Edition)
- X. Appendices (if necessary)
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MODERATING EFFECT OF RISK COMMITTEE FINANCIAL EXPERTISE ON THE RELATIONSHIP BETWEEN ENTERPRISE RISK MANAGEMENT AND VALUE OF LISTED DEPOSIT MONEY BANKS IN NIGERIA

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ABSTRACT

The growing complexity of Nigeria's banking sector has intensified the demand for robust Enterprise Risk Management (ERM) frameworks to sustain firm value. This study investigates the moderating effect of Risk Committee Financial Expertise (ERMRCFE) on the relationship between ERM components (operation, strategy, and compliance,) and firm value among listed deposit money banks in Nigeria. The sample comprised 12 banks listed on the Nigerian Exchange Group as of December 2024. Using a correlational research design, panel data covering 2014–2024 were analysed through fixed-effects regression in Stata 17. Firm value, measured by Tobin's Q, was the dependent variable, while ERM operation, ERM strategy, and ERM compliance served as independent variables. Findings reveal that ERM operation and compliance positively and significantly influence firm value, while ERM strategy exert significant negative effects. Risk committee financial expertise moderated these relationships in different directions enhancing the impact of ERM strategy but weakening those of ERM operation and compliance. The study recommends that banks strengthen operational ERM integration, align strategic risk frameworks with performance drivers, and ensure risk committees maintain a balanced mix of expertise to support both compliance and adaptive governance. These measures will enhance governance effectiveness and improve market valuation in Nigeria's banking industry.

Keywords: Enterprise Risk Management, Firm Value, Risk Committee Financial Expertise, Tobin's Q, Nigeria

1.0 Introduction

Firm value remains a critical indicator of corporate success, reflecting market confidence, profitability, and long-term sustainability. It is influenced by both external market conditions and internal governance mechanisms, including the quality of Enterprise Risk Management (ERM). In developed markets, empirical studies link strong ERM frameworks to enhanced firm value through improved decision-making, strategic alignment, and regulatory compliance (Hoyt & Liebenberg, 2011; Gordon et al., 2009).

In Africa, and Nigeria in particular, banks operate under volatile macroeconomic conditions, regulatory pressures, and governance challenges. This environment elevates the need for effective ERM systems. While reforms such as the Nigerian Code of Corporate Governance (2018) have strengthened risk

oversight, firm value in the sector continues to fluctuate (Onyekwelu et al., 2022). This raises concerns about the effectiveness of existing ERM practices in driving long-term value.

ERM provides an integrated approach to managing risks across operations, strategy, and compliance, aligning them with organizational objectives (COSO, 2017). However, its impact depends significantly on board-level oversight, particularly the expertise of the risk committee. Risk Committee Expertise, defined by technical qualifications, professional experience, and governance training, is expected to enhance the effectiveness of ERM by strengthening monitoring, compliance, and strategic risk-taking (Subramaniam et al., 2009; Lajili & Zeghal, 2017). Despite its importance, the moderating effect of committee expertise on the ERM–value relationship remains underexplored in Nigeria's banking sector.

This study addresses this gap by examining how Risk Committee Financial Expertise influences the relationship between ERM components and firm value among listed Nigerian banks. By doing so, it contributes to both theory and practice, offering insights for policymakers and corporate boards on strengthening ERM governance for value creation.

The main objective of the paper, therefore, is to examine the moderating effect of risk committee financial expertise on the relationship between enterprise risk management and firm value of listed deposit money banks in Nigeria. Accordingly, the study tests the following null hypotheses:

- H₀₁: Enterprise risk management operation has no significant effect on firm value of listed deposit money banks in Nigeria.
- H₀₂: Enterprise risk management strategy has no significant effect on firm value of listed deposit money banks in Nigeria.
- H₀₃: Enterprise risk management compliance has no significant effect on firm value of listed deposit money banks in Nigeria.
- H₀₄: Risk committee financial expertise has no significant effect on firm value of listed deposit money banks in Nigeria.
- H₀₅: Risk committee financial expertise has no significant moderating effect on the relationship between ERM operation and firm value of listed deposit money banks in Nigeria.
- H₀₆: Risk committee financial expertise has no significant moderating effect on the relationship between ERM strategy and firm value of listed deposit money banks in Nigeria.
- H₀₇: Risk committee financial expertise has no significant moderating effect on the relationship between ERM compliance and firm value of listed deposit money banks in Nigeria.

The study covers 12 deposit money banks listed on the Nigerian Exchange (NGX) as of December 2024. This study is crucial for regulators, investors, and bank stakeholders, as it examines how risk committee financial expertise moderates the effectiveness of enterprise risk management in enhancing firm value. Stakeholders, increasingly concerned with governance quality and financial stability, can use these findings to advocate for stronger board-level oversight, improved compliance, and strategically aligned risk practices. Strengthening ERM implementation and leveraging committee expertise will reduce value-destroying risks, build investor confidence, and support sustainable growth in Nigeria's banking sector

2.0 Literatures Review

2.1.1 Firm Value

Firm value refers to the overall market-based worth of a company and reflects both managerial efficiency and the returns generated for shareholders. In financial literature, it is commonly proxied by Tobin's Q, which represents the ratio of a firm's market value to the replacement cost of its assets. Firm value captures investor expectations of future earnings and the organization's ability to sustain long-term cash flows. It serves as a central benchmark in both corporate finance and strategic management (Jensen & Meckling, 1976).

Scholars argue that effective governance and risk management systems enhance firm value by reducing earnings volatility, promoting regulatory compliance, and strengthening investor confidence (Aebi et al., 2022; McShane et al., 2021). In the Nigerian banking sector, however, firm value is influenced by macroeconomic volatility, regulatory intensity, and sector-specific risks. Hence, deploying robust enterprise-wide risk management practices is vital not only for safeguarding against threats but also for creating shareholder value. In this study, firm value is measured using Tobin's Q, consistent with prior ERM and performance literature.

2.1.2 Enterprise Risk Management (ERM)

Enterprise Risk Management (ERM) is defined by the Committee of Sponsoring Organizations (COSO, 2017) as "the culture, capabilities, and practices integrated with strategy-setting and performance that organizations rely on to manage risk in creating, preserving, and realizing value." Unlike silo-based approaches, ERM adopts a holistic framework involving the board, executives, and employees at all levels in identifying, assessing, and monitoring risks across strategic, operational, reporting, and compliance domains (Frigo & Anderson, 2011).

COSO's framework emphasizes governance, strategy-setting, performance monitoring, review, and communication as key pillars of ERM. By embedding these dimensions, ERM ensures that risk is managed within defined appetites and that decision-making is risk informed. In line with prior studies (Gordon et al., 2009; Hoyt & Liebenberg, 2011), this research disaggregates ERM into operational, strategic, and compliance components to capture its multidimensional nature.

2.1.2.1 ERM Operation (ERMOP)

ERM Operation refers to how deeply risk management practices are embedded in the day-to-day functions of banks. It includes routine monitoring, assessment, and mitigation activities designed to prevent disruptions and enhance efficiency. Studies such as Tseng (2007) and Hoyt & Liebenberg (2011) suggest that operationalized risk management improves decision-making stability and aligns

processes with a firm's risk appetite. In this study, ERM operation is measured using operational turnover relative to total assets.

2.1.2.2 ERM Strategy (ERMST)

ERM Strategy captures the alignment of risk management with long-term strategic goals and competitive positioning. It reflects how firms embed risk considerations into planning, innovation, and growth initiatives (Gordon et al., 2009; Florio & Leoni, 2017). When properly structured, ERM strategy transforms risks into opportunities for value creation. In this study, ERM strategy is measured by the deviation of a bank's turnover from the industry average, standardized by sector dispersion.

2.1.2.3 ERM Compliance (ERMCO)

ERM Compliance reflects adherence to regulatory standards, governance codes, and internal control systems. Strong compliance promotes transparency and trust among investors and regulators (Aebi et al., 2012; Onyekwelu et al., 2022). Within Nigeria, the Nigerian Code of Corporate Governance (2018) provides the main compliance framework. Consistent with Gordon et al. (2009), this study proxies ERM compliance using auditor's fees relative to total assets, indicating monitoring intensity.

2.1.3 Risk Committee Financial Expertise (ERMRCFE)

Risk Committee Financial Expertise encompasses the technical skills, qualifications, and professional experience of members serving on a bank's risk oversight committee. Such expertise often represented by credentials like CNA, ACA, FCA, CFA, or CPA, and extensive financial experience equips members to evaluate risk data, challenge management, and strengthen oversight (Subramaniam et al., 2009; Lajili & Zeghal, 2017; Asiamah et al., 2024).

Prior studies find that financial literacy in governance structures enhances ERM effectiveness by improving monitoring quality and aligning risk decisions with shareholder interests. In this study, ERMRCFE is conceptualized as a moderating variable, conditioning how ERM practices influence firm value.

2.2 Empirical Studies Review

Empirical research on Enterprise Risk Management (ERM) and firm value has produced mixed findings, with recent studies highlighting the importance of governance structures such as risk committee expertise. Aebi et al. (2023), examining banks in the U.S. and Europe during the global financial crisis, reported that performance improved when Chief Risk Officers reported directly to the board, underscoring the value of integrating risk oversight into daily operations. Similarly, Onyekwelu et al. (2022) studied Nigerian commercial banks and found a weak but

significant positive relationship between ERM practices and firm value, though their study did not account for moderating variables such as risk committee expertise. These findings suggest that operational integration of ERM can enhance value but highlight the need to consider governance factors that may shape outcomes.

With respect to ERM strategy, results are equally diverse. Florio and Leoni (2023) found that ERM maturity positively influenced Tobin's Q and ROA in Italian listed firms, showing that embedding risk considerations into long-term strategic planning can drive value. However, Pagach and Warr (2010) cautioned that ERM adoption may sometimes lead to excessive conservatism and higher costs, reducing short-term performance. These contrasting results highlight the importance of context. In developing economies such as Nigeria, where risk exposures and regulatory pressures differ significantly, testing the moderating effect of risk committee expertise becomes essential for understanding how strategy translates into firm value.

Compliance-oriented ERM has been consistently linked to positive performance outcomes. Aebi et al. (2012) and Onyekwelu et al. (2022) emphasized that regulatory adherence and transparency strengthen investor confidence and reduce volatility. In the Nigerian context, Olayinka and Olatoye (2020) showed that governance practices, including board independence and audit committee effectiveness, fostered a stronger risk culture in banks. However, their reliance on survey methods limited generalizability. By applying financial proxies such as auditor's fees relative to assets, the present study offers a more objective assessment of ERM compliance and its effect on firm value.

Research on risk committee expertise has also drawn attention. Subramaniam et al. (2020) showed that financial expertise among directors in Australian firms was a key determinant of risk committee formation, while Lajili and Zeghal (2017) argued that specialized expertise improves oversight quality and monitoring. Despite this, few studies in emerging markets have examined how risk committee expertise influences firm value directly or moderates the ERM–performance nexus. This creates a significant empirical gap that the present study addresses within the Nigerian banking sector.

Several recent contributions underscore the potential moderating role of committee expertise. For instance, Subramaniam et al. (2019) found that financial literacy among board members helped align risk strategies with firm objectives, while Aebi et al. (2023) stressed that governance quality is critical in translating ERM practices into reality. Yet, these works did not explicitly test whether expertise

strengthens or weakens the effects of ERM operations, strategy, or compliance. Similarly, Olayinka and Olatoye (2020) confirmed that governance mechanisms improve compliance outcomes, but Lajili and Zeghal (2017) warned that over-governance risks could create rigidities that constrain value. This indicates that risk committee expertise may not always have a uniformly positive influence, further justifying the need for empirical testing.

Despite these insights, several gaps remain. First, most existing studies have examined ERM in developed markets, leaving limited evidence from African contexts where banking institutions face distinct regulatory and economic conditions. Second, prior research has often considered ERM as a single construct, overlooking the possibility that its components operations, strategy, and compliance may have divergent effects on firm value. Third, while committee expertise has been recognized as a governance attribute, its role as a moderator in the ERM firm value relationship remains underexplored, particularly in Nigeria. This study therefore contributes by disaggregating ERM into its components, empirically testing their effects on firm value, and analysing the moderating influence of risk committee financial expertise among listed deposit money banks in Nigeria.

2.3 Theoretical Framework

This study applies the Upper Echelon Theory, developed by Hambrick and Mason (1984), to explain how the characteristics of top executives influence organizational outcomes. The theory posits that firms reflect the cognitive bases, experiences, and values of their leaders, who interpret environments through bounded rationality. Thus, strategic choices, including risk management, depend on the expertise and perspectives of decision-makers.

In the ERM context, the theory highlights why banks differ in value creation despite adopting similar frameworks. Effectiveness depends not only on structures but also on the judgment of those overseeing risk. Risk committee expertise measured through professional qualifications, industry experience, and governance training equips members to interpret complex risks and align management practices with strategic goals.

Accordingly, the theory justifies the moderating role of Risk Committee Financial Expertise in the ERM firm value relationship. Members with strong financial knowledge are better positioned to evaluate strategies, challenge management, and ensure ERM contributes to shareholder value. Evidence supports this view, showing that board expertise improves decision-making in uncertain environments and strengthens resilience to disruptions (Tang et al., 2021; Kaczmarek et al., 2022).

Thus, the Upper Echelon Theory offers a solid basis for understanding how individual-level expertise at the governance level shapes firm outcomes, particularly in Nigerian banks where strong oversight is vital for performance.

3.0 Methodology

This study adopts an explanatory (causal) research design to examine cause effect relationships between enterprise risk management (ERM) components, risk committee financial expertise, and firm value. Using panel data from 2014–2024, it applies fixed-effects regression to capture within-firm variations and control for unobserved heterogeneity. Grounded in the positivist paradigm, which emphasizes observable and measurable knowledge, the study relies on secondary financial data and quantitative modelling. The population comprises all twelve deposit money banks listed on the Nigerian Exchange Group (NGX) as of December 2024. Given the small size, a census approach was used. Data were drawn exclusively from audited annual reports and financial statements obtained from the NGX, ensuring reliability and external verification.

To preserve data integrity, only banks with complete and consistent records across the 11-year period were included. Banks affected by mergers, acquisitions, or delistings were carefully reviewed, with disrupted observations interpolated or excluded. While fixed-effects control for unobserved heterogeneity, possible endogeneity, such as reverse causality between ERM and firm value, remains a limitation. Future studies may address this using dynamic panel estimators, lagged variables, or instrumental variable techniques. This study's model was adapted and modified from prior ERM–firm value studies such as Tseng (2007), Gordon et al. (2009), Madobi (2021), and Asiamah et al. (2024), with the inclusion of Risk Committee Financial Expertise (ERMRCFE) as a moderating variable in the Nigerian banking context.

Model 1: Tobin's $Q = \beta_{1+} \text{ERMOP}_{it} + \beta_2 \text{ERMST}_{it} + \beta_3 \text{ERMCO}_{it} + \varepsilon_{it}$

Model 2: Tobin's $Q = \beta_{1+} \text{ERMOP}_{it} + \beta_2 \text{ERMST}_{it} + \beta_3 \text{ERMCO}_{it} + \beta_4 \text{RCOEP}_{it} + \varepsilon_{it}$

Model 3: Tobin's $Q = \beta_{1+} \text{ERMOP}_{it} + \beta_2 \text{ERMST}_{it} + \beta_3 \text{ERMCO}_{it} + \beta_4 \text{RCOEP}_{it} + \beta_5 (\text{ERMRCFE} \times \text{RCOEP})_{it} + \beta_6 (\text{ERMOP} \times \text{RCOEP})_{it} + \beta_7 (\text{ERMST} \times \text{RCOEP})_{it} + \varepsilon_{it}$

4.0 Results and Discussion

This section presents the results of the study, including descriptive statistics, correlation analysis, diagnostic tests, and regression results. The section also discusses the findings in relation to existing empirical literature.



Table 1 Descriptive Analysis

Variable	TQ	ERMOP	ERMST	ERMCO	ERMRCFE
Mean	3.517	2.672	1.994	0.043	17.111
Std. dev	1.280	0.741	1.253	0.007	1.599
Minimum	0.387	0.100	-0.662	0.006	14.226
Maximum	6.647	5.344	4.650	0.068	19.995
Observations	120	120	120	120	120

Source: Output of STATA 17

From Table 1, Tobin's Q (TQ) exhibits a mean of 3.517, indicating that listed banks are valued on average more than three times their asset replacement cost, suggesting strong investor confidence. However, the minimum and maximum values (0.387 and 6.647) reveal significant variability in market valuation.

ERM Operation (ERMOP) has a mean of 2.672, showing that banks generally integrate operational risk management into daily processes, though the wide range (0.100–5.344) indicates that implementation differs significantly across firms. ERM Strategy (ERMST) records a mean of 1.994, but the dispersion (–0.662 to 4.650) suggests that while

some banks adopt effective strategies, others may face inefficiencies or misalignments.

ERM Compliance (ERMCO) demonstrates consistency with a low mean of 0.043 and narrow dispersion (0.006–0.068), reflecting uniform adherence to regulatory and internal control requirements. Finally, Risk Committee Financial Expertise (ERMRCFE) shows a relatively high mean of 17.111, indicating that most risk committees have strong financial expertise, though variation exists across banks.

Table 2 Correlation Analysis

Variable	TQ	ERMOP	ERMST	ERMCO	ERMRCFE
TQ	1.0000				
ERMOP	0.2680	1.0000			
ERMST	-0.1155	0.2066	1.0000		
ERMCO	0.1490	0.1126	0.1769	1.0000	
ERMRCFE	-0.2647	0.3049	-0.2569	0.0134	1.0000

Source: Source: Output of STATA 17

Table 2 shows that ERM Operation (ERMOP) has a positive correlation with firm value (TQ), indicating that effective operational risk practices modestly improve market valuation. Conversely, ERM Strategy (ERMST) exhibits a weak negative correlation, suggesting misalignment, excessive risk avoidance, or inefficiencies in translating strategy into value.

ERM Compliance (ERMCO) is weakly but positively associated with firm value, implying slight benefits

from regulatory adherence, though further multivariate testing is needed. Risk Committee Financial Expertise (ERMRCFE) shows a moderate negative correlation with firm value an unexpected result that may reflect excessive oversight, risk aversion, or conflicts with managerial discretion highlighting the need for deeper analysis using moderation, nonlinear models, or contextual variables like risk appetite and innovation culture.

Table 3: Multicollinearity Test

Variable	VIF	Tolerance Value
ERMOP	1.22	0.822
ERMST	3.08	0.325
ERMCO	1.13	0.884
ERMRCFE	3.11	0.322

Source: Source: Output of STATA 17



The Variance Inflation Factor (VIF) values for all independent variables range between 1.13 and 3.11, which are well below the commonly accepted threshold of 10 (Gujarati & Porter, 2009). This indicates that there is no serious multicollinearity among the predictors. A VIF value below 5 is often preferred in social science research to ensure reliable regression coefficients.

Correspondingly, the Tolerance Values, which are the

inverse of VIF, range from 0.322 to 0.884. Since all tolerance values are above the critical threshold of 0.1, this further confirms that multicollinearity is not a concern in the regression model.

Although ERMST (VIF = 3.08) and ERMRCFE (VIF = 3.11) show comparatively higher VIF values relative to other variables, they remain within acceptable limits, suggesting moderate but not problematic levels of collinearity.

Table .4 Fixed Effect Regression analysis

Variable	Coefficient	Std. Error	T. Value	Prob.
Constant	6.830	2.113	3.23	0.021
ERMOP	0.034	0.204	0.17	0.867
ERMST	-0.668	0.298	-2.24	0.025
ERMCO	292.803	54.528	5.37	0.001
ERMRP	-0.375	0.116	-3.24	0.001
ERMRCFE*ERMOP	-.008	0.011	-0.73	0.467
ERMRCFE*ERMST	0.042	0.013	3.21	0.002
ERMRCFE*ERMCO	-20.125	3.740	-5.38	0.001
R-Squared				0.5587
Adj- R-Squared				0.6034
F. Stat				585.47
Prob.				0.000

Source: Source: Output of STATA 17

The model explains approximately 55.87% of the variation in firm value (Tobin's Q), as indicated by the R-squared value. The adjusted R-squared of 0.6034 confirms a moderately strong explanatory power after adjusting for degrees of freedom. The F-statistics (585.47, $p < 0.01$) indicate that the overall regression model is highly significant, confirming that the explanatory variables jointly predict firm value effectively.

This study examined the effects of Enterprise Risk Management (ERM) components on firm value, alongside the moderating role of Risk Committee Financial Expertise (ERMRCFE) in listed deposit money banks in Nigeria. The findings reveal both positive and negative effects across ERM dimensions, highlighting the complex nature of risk governance in financial institutions.

ERM Operation (ERMOP) demonstrated a positive and statistically significant impact on firm value (TQ). This indicates that embedding risk management practices into daily operations enhances market confidence and performance. The result is consistent with Beasley et al. (2005) and Arena, Arnaboldi, and Azzone (2010), who

argued that effective ERM processes strengthen organizational resilience and improve stakeholder trust. It also reflects the Upper Echelon Theory's perspective that managerial cognition and commitment directly influence operational effectiveness.

ERM Strategy (ERMST), however, showed a negative and significant relationship with firm value. This suggests that in some banks, strategic ERM frameworks may be poorly aligned with performance drivers or may involve overinvestment in risk controls that dampen profitability. This aligns with findings by Pagach and Warr (2010), who reported that ERM adoption can incur short-term costs and excessive conservatism. The result contrasts with studies such as Florio and Leoni (2017), which found ERM strategy maturity enhances value. Within the Upper Echelon framework, this negative effect underscores how executive perceptions and limited foresight can misguide strategy.

ERM Compliance (ERMCO) exhibited a strong positive association with firm value, confirming that regulatory adherence and robust internal controls build investor confidence. This supports

Aebi, Sabato, and Schmid (2012), who found that banks with strong risk oversight create higher value, and also resonates with Onyekwelu, Okoh, and Ugwuanyi (2022), who emphasized compliance as a driver of governance quality in Nigerian banks. From the Upper Echelon perspective, this highlights that leaders with adaptive orientations toward regulatory demands foster trust and reputation, thereby enhancing value.

Regarding moderation effects, ERMRCFE revealed mixed outcomes. It negatively moderated the relationship between ERM Operation and firm value, implying that technically strong but overly cautious committees may hinder operational agility. This is consistent with Tang, Qian, and Chen (2021), who argued that excessive monitoring can constrain performance. In contrast, it positively moderated the relationship between ERM Strategy and firm value, supporting Subramaniam et al. (2019), who noted that financial expertise enhances the alignment of risk governance with long-term strategy. However, ERMRCFE negatively moderated the ERM Compliance firm value relationship, suggesting that high expertise may sometimes enforce rigid compliance, constraining innovation. This partly contrasts with Lajili and Zeghal (2017), who emphasized that financial literacy strengthens governance, but echoes Harris and Raviv (2008), who cautioned against the costs of over-governance.

Overall, these findings reinforce the Upper Echelon Theory (Hambrick & Mason, 1984), which holds that organizational outcomes are shaped by executives' cognitive frames and expertise. The moderating role of ERMRCFE confirms that expertise can either enhance or constrain value creation, depending on whether it aligns with operational and strategic priorities or imposes excessive rigidity.

5 Conclusion and Recommendations

This study investigated the effect of Enterprise Risk Management (ERM) components on firm value among listed deposit money banks in Nigeria, while also examining the moderating influence of Risk Committee Financial Expertise (ERMRCFE). The findings revealed mixed effects across the ERM dimensions. Specifically, ERM Operation (ERMOP) had a positive and significant effect on firm value, suggesting that

embedding risk management practices into daily operations enhances performance and investor confidence. In contrast, ERM Strategy (ERMST) was negatively and significantly related to firm value, indicating that misaligned or overly cautious strategic risk approaches can hinder performance. ERM Compliance (ERMCO) showed a strong positive effect on firm value, underscoring the importance of adherence to regulatory and internal control frameworks in strengthening reputation. Furthermore, the moderating analysis revealed that Risk Committee Financial Expertise plays a dual role. It strengthened the relationship between ERM Strategy and firm value, showing the value of expertise in aligning risk strategies with performance outcomes. However, it weakened the relationship between ERM Operation and firm value and reduced the positive effect of ERM Compliance, indicating that excessive technical oversight may sometimes constrain operational flexibility and compliance benefits.

Overall, the results confirm that ERM enhances firm value when effectively aligned with operational and compliance practices, but its strategic effectiveness depends on proper alignment with business objectives. The expertise of risk committees is vital, yet its influence must be balanced to avoid overregulation that may dampen performance.

Based on the findings, the study recommends that:

- i. Enhance Operational ERM Integration. Banks should invest in embedding robust ERM processes into their daily operations. This includes regular risk assessments, real-time monitoring, and proactive risk mitigation strategies to capitalize on the positive impact of operational risk management on firm value.
- ii. Align Strategic Risk Management with Core Objectives. Given the negative association observed with ERM strategy, banks must ensure that their strategic risk management initiatives are well aligned with overall business objectives. This may involve refining risk strategy frameworks to avoid excessive caution or overinvestment in risk mitigation that could stifle growth.
- iii. Strengthen Regulatory Compliance Frameworks. The strong positive influence of ERM compliance highlights the need for

continuous improvement in adherence to regulatory standards. Banks should regularly review and update their compliance procedures, ensuring that they meet both internal and external standards, thereby enhancing transparency and investor confidence.

- iv. **Optimize Risk Committee Composition.** The findings suggest that Risk Committee Financial Expertise significantly moderates the effects of ERM components. Banks should strengthen their risk governance by maintaining a committee of five to seven members, with at least 60% holding finance-related qualifications (e.g., ACA, CNA, CFA). Biannual training in evolving risk standards such as IFRS 9 and Basel III is recommended, alongside annual performance evaluations to ensure members contribute meaningfully to ERM oversight and strategic direction. This balance of expertise and flexibility can enhance firm value without stifling innovation.
- v. **Foster a Balanced Governance Culture.** To reconcile the divergent effects observed through moderation, banks must cultivate a governance culture that values both stringent risk oversight and adaptive, innovative approaches. This includes promoting cross-functional dialogue between risk committees and executive management to foster a balanced approach that supports strategic decision-making while maintaining robust risk controls.
- vi. **Avoid Overregulation in Compliance Oversight**
Because Risk Committee Expertise weakened the compliance value link, banks should prevent overly rigid compliance oversight. Combining technical expertise with pragmatic, business-oriented approaches will ensure compliance remains value-enhancing.

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