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MODERATING EFFECT OF BOARD EXPERTISE ON THE RELATIONSHIP BETWEEN OPERATIONAL AND LIQUIDITY RISK INFORMATION DISCLOSURE AND CORPORATE MARKET VALUE OF LISTED CONSUMER GOODS COMPANIES OF NIGERIA

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Abstract

The study examined the moderating effect of board expertise on the relationship between operational and liquidity risk information disclosure and corporate market value of listed companies in Nigeria's consumer goods sector. Utilizing a Generalized Method of Moments (GMM) approach, data was collected from 540 firm-year observations, covering operational risk disclosure, liquidity risk disclosure, and board expertise attributes. The findings indicate that board expertise significantly moderates the relationship between operational risk information disclosure and corporate market value, enhancing firm performance. However, board expertise negatively moderates the relationship between liquidity risk disclosure and market value, suggesting complexities in how diverse boards manage liquidity risk communications. The study concludes that board expertise plays a significant role in influencing how risk disclosures affect corporate market value. Specifically, while board expertise positively moderates the relationship between operational risk disclosure and corporate market value, it has a negative moderating effect on the relationship between liquidity risk disclosure and market value. Therefore, the study recommends that to leverage the benefits of board expertise effectively, firms should invest in training programs that equip board members with the necessary skills to communicate risk disclosures clearly. These programs should emphasize effective decision-making processes and the importance of cohesive communication strategies, particularly in relation to liquidity risk management.

Keywords: Board Expertise, Operational Risk Disclosure, Liquidity Risk Disclosure, Corporate Market Value.

Introduction

In recent years, corporate governance and risk management have garnered significant attention, especially in the consumer goods sector, where proper risk management and transparent disclosure are critical for maintaining market confidence and corporate stability. The importance of operational and liquidity risk information disclosure cannot be overstated, as it plays a vital role in informing stakeholders about the potential risks a firm faces and its ability to manage them. Operational risk encompasses failures in internal processes, systems, or external events, while liquidity risk involves a firm's ability to meet its short-term obligations. When properly disclosed, these risks provide investors and stakeholders with valuable insights



into a firm's health and resilience (Chen et al., 2021). However, the effectiveness of these disclosures largely depends on the governance structures in place, particularly the composition of the board of directors. Board expertise, which includes aspects such as gender, ethnicity, experience, and educational background, has been identified as a key factor influencing decision-making and overall governance quality. A diverse board is believed to bring a broader range of perspectives and expertise, which may lead to more balanced and comprehensive risk management strategies. This, in turn, could improve how risk information is disclosed to the market, influencing how investors perceive the firm's future performance (Adelegan, 2022).

In the context of Nigeria, where the consumer goods sector is a major driver of economic development, the corporate governance structure has been under scrutiny, particularly about how it addresses operational and liquidity risks. The Nigerian consumer goods sector has experienced significant challenges in recent years, including the 2008 global financial crisis and the subsequent regulatory reforms. These events highlighted the need for improved risk disclosure and transparency, as well as better governance practices (Otusanya, 2022). Despite these regulatory efforts, gaps remain in how firms disclose operational and liquidity risks, and how these disclosures are perceived by the market. The moderating role of board expertise is critical in this setting. Research suggests that diverse boards are more likely to advocate for transparent and robust risk disclosures, which can positively affect firm market value. Diverse boards are less likely to suffer from groupthink, and they are more likely to encourage a culture of transparency and accountability. For example, Ishak et al. (2020) found that firms with higher levels of board expertise disclosed more comprehensive risk information, which, in turn, had a positive impact on their market value. Similarly, Elamer et al. (2020) noted that diverse boards are better at mitigating the negative effects of risk on firm performance by implementing more effective risk management strategies.

The consumer goods sector in Nigeria plays an important role in the country's economic development, yet it remains vulnerable to various forms of risk, particularly operational and liquidity risks. Operational risk, which arises from internal process failures, and liquidity risk, which concerns a firm's ability to meet short-term obligations, are critical to the stability and performance of financial institutions. Inadequate disclosure of these risks can lead to misinformed decision-making by investors and stakeholders, potentially undermining market confidence and adversely affecting corporate market value (Adelegan, 2022). Despite



regulatory requirements for firms to disclose risk information, the quality and comprehensiveness of these disclosures vary significantly across listed companies in Nigeria, raising concerns about the transparency and effectiveness of risk management practices (Otusanya, 2022). In addition to this, corporate governance practices, particularly board expertise, have been identified as potential drivers of improved risk disclosure. Diverse boards, composed of individuals with different gender, ethnicity, professional backgrounds, and experience, are believed to enhance decision-making and reduce information asymmetry. However, the extent to which board expertise influences the relationship between risk disclosure and firm market value remains underexplored in Nigeria's consumer goods sector (Wang et al., 2022). While previous studies have highlighted the positive impact of board expertise on general governance practices, there is limited empirical evidence on how it moderates the relationship between specific risk disclosures such as operational and liquidity risks and market performance (Elamer et al., 2020).

Given the regulatory reforms and the economic volatility faced by Nigeria's financial institutions, there is an urgent need to understand how firms can enhance their risk disclosure practices, particularly in the areas of operational and liquidity risks. Furthermore, it is crucial to investigate whether board expertise can play a moderating role in this relationship, potentially improving firm performance by fostering more transparent and effective governance. Failure to address these issues may result in poor risk management, reduced market confidence, and weakened financial stability, all of which can have far-reaching consequences for Nigeria's financial system and the broader economy. Thus, this study examined the moderate effect of board expertise on the relationship between operational and liquidity risk information disclosure and corporate market value in Nigeria's consumer goods sector?

Hypotheses

H₀₁: Operational risk information disclosure has no significant effect on corporate market value of listed companies in consumer goods sector of Nigeria.

H₀₂: Liquidity risk information disclosure has no significant effect on corporate market value of listed companies in consumer goods sector of Nigeria



H₀₃: Board expertise has no significant moderating effect on the relationship between Operational risk information disclosure and corporate market value of listed companies in consumer goods sector of Nigeria.

H₀₄: Board expertise has no significant moderating effect on the relationship between Liquidity risk information disclosure and corporate market value of listed companies in consumer goods sector of Nigeria.

Literature Review

Concept of Firm Market Value

Market value serves as a significant measure of a firm's financial health and performance, reflecting investor sentiment and the company's perceived growth potential. It is important to note that market value can fluctuate based on various factors, including market trends, investor behavior, and broader economic conditions (Mishra, 2020). As such, it is not always a direct reflection of the intrinsic value of a firm, which is determined by its fundamentals, such as revenue, earnings, and asset values. According to Borad (2022), a firm's market value is an economic concept that reflects the worth of company in market. The investor's assessment of a company's success is reflected in its market value. Firm market value can increase or decrease because of investors' perception of the vulnerability of the company to risks and potential threats.

Concept of Operational Risk Information Disclosure

Operational risk refers to the potential losses resulting from inadequate or failed internal processes, people, systems, or external events. In financial institutions, operational risks can stem from a variety of sources, such as fraud, legal risks, system failures, and external disruptions (Ishak et al., 2020; Owolabi, 2023). The disclosure of operational risk information is critical for stakeholders, as it provides them with insights into how effectively a firm identifies, manages, and mitigates such risks. It enhances transparency, enabling investors, regulators, and other stakeholders to assess the firm's risk profile and governance structures (Chung et al., 2022; Ahmad et al., 2022).



Concept of Liquidity Risk Information Disclosure

Liquidity risk refers to the risk that a company will not be able to meet its short-term financial obligations due to an inability to convert assets into cash without incurring significant losses (Hassan & Ibrahim, 2020). In the consumer goods sector, liquidity risk is particularly critical as banks and other financial institutions rely heavily on short-term liabilities to fund long-term assets. Therefore, effective management and disclosure of liquidity risks are vital to ensure the stability of these institutions and maintain investor confidence (Chung et al., 2022). Liquidity risk information disclosure involves reporting on a company's exposure to liquidity risks, its policies for managing those risks, and its ability to access liquid assets during periods of financial stress (Elamer et al., 2020). The disclosure of such information provides stakeholders with essential insights into how well a firm is positioned to handle liquidity crises. It also reflects the company's transparency and its adherence to regulatory standards, such as the Basel III liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) requirements (Ahmad et al., 2022; Wang et al., 2022).

Concept of Board Expertise

Board expertise refers to the inclusion of individuals from various backgrounds, experiences, and perspectives within a company's board of directors. The concept of board expertise has gained significant attention in corporate governance literature and practice, as it is believed to enhance decision-making processes, improve corporate performance, and foster innovation (Hassan & Ibrahim, 2020; Chen et al., 2021). Board expertise is considered crucial for improving corporate governance by fostering a broader range of viewpoints, reducing groupthink, and increasing the ability to address complex business challenges. It has been linked to better risk management, improved financial performance, and stronger corporate social responsibility (Mishra, 2020).

Empirical Review

Otusanya (2022) assess the effectiveness of corporate governance mechanisms, especially board expertise, in moderating the effects of risk disclosure on corporate performance in the Nigerian consumer goods sector from 2012–2020. This study applied structural equation modeling (SEM) to analyze data from 60 listed financial institutions. It focused on board expertise's moderating role on the relationship between risk disclosure (operational and liquidity) and market value. The analysis revealed that operational risk disclosure had a



significant negative impact on firm value, but this relationship was weakened in companies with higher board expertise. For liquidity risk disclosure, board expertise strengthened the positive relationship with firm market value. The study contributed significantly to the discourse on risk disclosure in Nigeria's consumer goods sector. However, it did not explore other potential moderating factors, such as ownership structure, that could further explain variations in firm value.

Wang et al. (2022) examine how risk management disclosures influence firm value, considering the moderating effect of board expertise. Period of Study: 2015–2020. Methodology: This study employed a Generalized Method of Moments (GMM) estimation technique to account for endogeneity in panel data from Chinese financial institutions. Board expertise was measured across multiple dimensions, including gender, nationality, and professional expertise. Results: Board expertise was found to significantly moderate the relationship between operational and liquidity risk disclosures and corporate market value. Specifically, firms with more diverse boards experienced better market performance when disclosing both types of risks. Although this study presented strong empirical evidence for the moderating effect of board expertise, its reliance on financial firms from a single country raises concerns about the applicability of the findings to different corporate governance settings, such as those in emerging markets like Nigeria.

Adelegan (2022) explore the relationship between risk disclosure practices and corporate performance, with board expertise acting as a moderating variable. Period of Study: 2010–2019. Methodology: A dynamic panel data model was used, focusing on 40 listed firms in Nigeria. The study utilized GMM to assess the moderating role of board expertise in the relationship between operational and liquidity risk disclosure and firm value. Results: The results indicated that board expertise, particularly in terms of gender and professional expertise, positively moderated the relationship between liquidity risk disclosure and firm market value. However, operational risk disclosure was found to negatively impact firm value, even with diverse boards. The study offered valuable insights into the Nigerian context. However, it fell short in addressing why operational risk disclosure remained negatively associated with firm performance, even when board expertise was high. This points to the need for further investigation into how firms manage operational risks internally.



Hassan and Ibrahim (2020) examine the impact of risk information disclosure on firm market value, focusing on the moderating role of board expertise. Period from 2010–2018. The study employed panel data regression analysis, using data from 50 listed firms in Nigeria's consumer goods sector. Board expertise was measured using gender and professional background diversity, while risk disclosure was proxied by operational and liquidity risk metrics. The study found that firms with diverse boards disclosed more comprehensive risk information. It further revealed that board expertise had a positive and significant moderating effect on the relationship between liquidity risk disclosure and market value but not on operational risk disclosure. While the study provided useful insights into board expertise's impact on liquidity risk disclosure, it lacked a robust assessment of other forms of diversity such as age or ethnicity. Additionally, the study's focus on Nigerian firms limits the generalizability of the findings to other regions.

Theoretical Framework

Signaling Theory: Signaling theory, first introduced by Spence (1973) he explained how one party (the sender) credibly conveys information to another party (the receiver) when there is an asymmetry of information. The theory initially arose from Spence's work on job market signaling, where job applicants signal their qualifications to potential employers through education or credentials. The presence of diverse boards can strengthen the credibility of the signal, as board expertise is often associated with better decision-making, improved risk management, and broader perspectives (Ahmad et al., 2022). Gender, educational, and professional diversity are signals that a firm is committed to progressive and inclusive governance practices, which are viewed favorably by the market.

In this way, firms with diverse boards that disclose comprehensive risk information are likely to be seen as lower-risk and better managed, thus enhancing their market value (Elamer et al., 2020). This study examines the moderating role of board expertise on the relationship between operational and liquidity risk information disclosures and corporate market value in Nigeria's consumer goods sector. According to signaling theory, the firm's risk disclosures serve as a signal of its risk management practices to investors. However, these signals may be stronger or more credible when the firm's board is diverse.



Methodology

The study adopted an expo facto research design as the study relied on the exiting data. The population of the study is all the listed firms in the consumer goods sector of Nigeria. Given the nature of the present study, secondary sources were utilized for data collection. The data for the variables was gathered from the annual reports and accounts of the sampled companies. Additionally, companies' annual reports, accounts of the sampled firms, and relevant publications from the Nigeria Exchange Group (NXG). All market-related data was extracted from the archives and other relevant publications of the NXG/SEC of Nigeria covering the period from 2015 to 2024.

$$CoVal_{it} = \beta_0 + \beta_1 CoVal_{it-1} + \beta_2 OPRISK_{it} + \beta_3 LQRISK_{it} + \beta_3 BE_{it} + \varepsilon_{it} \dots\dots\dots \text{Model 1}$$

$$CoVal_{it} = \beta_0 + \beta_1 CoVal_{it-1} + \beta_2 BE_{it} + \beta_3 OPRISK_{it} * BE_{it} + \beta_4 LQRISK_{it} * E + \varepsilon_{it} \dots\dots\dots \text{Model 2}$$

Table 1: Variables Measurement

Definition	Measurement	Sources
Firm Market Value	Tobin's Q is calculated by the ratio of the market value of the firm plus debt divided by the book value of its assets	Endri 2019
Operational Risk	Operational Risk information Disclosure index	Based on Linsley and Shrives (2006)
Liquidity Risk Information	Liquidity risk information disclosure index	Musneh, et al. (2021)
Board expertise	measured as the percentage of experts in the board room)	Hoa and Robert (2007); Peter and Hannu (2017) Qi and Tian, (2012),

Source: Author Compilation, 2026



Results and Discussion

Table 2: Descriptive Statistics

	Mean	Max	Mini	Std. Dev.	Skew	Kurt	Obs
COVAL	0.458631	42.01532	0.000122	1.838003	21.49582	485.8018	540
OPRISKD	4.464815	6.000000	3.000000	0.630592	0.576887	2.857876	540
LQRISKD	6.066667	8.000000	5.000000	0.512551	2.586125	12.12496	540
BE	4.375926	6.000000	3.000000	0.636967	0.730642	3.318394	540

Source: Eviews Output, 2026

Table 2 presents the descriptive statistics of the study variables. The results show that corporate market value (COVAL) has a mean value of 0.458631, indicating that, on average, the sampled consumer goods companies recorded a relatively low market valuation during the study period. The maximum and minimum values of 42.01532 and 0.000122 respectively reveal substantial variation in market value across firms. The high standard deviation of 1.838003 further confirms considerable dispersion among the observations. Additionally, the variable is highly positively skewed (21.49582) and exhibits an extremely high kurtosis value (485.8018), suggesting the presence of outliers and a non-normal distribution.

The disclosure variables and board expertise exhibit relatively stable distributions compared to corporate market value. Operational risk disclosure (OPRISKD) recorded a mean value of 4.464815 with a standard deviation of 0.630592, while liquidity risk disclosure (LQRISKD) reported an average score of 6.066667 and a standard deviation of 0.512551, indicating moderate consistency in disclosure practices among the firms. Board expertise (BE) has a mean value of 4.375926 and a standard deviation of 0.636967, suggesting that most firms maintained a reasonable proportion of expert directors on their boards. Furthermore, OPRISKD, LQRISKD, and BE are positively skewed, implying that a larger proportion of firms reported disclosure and expertise levels above their respective averages, while the kurtosis values indicate varying degrees of peakedness in their distributions.



Table 3: Covariance Analysis

Correlation Probability	COVAL	OPRISKD	LQRISKD	BE
COVAL	1.000000			
OPRISKD	0.023716	1.000000		
	0.5824			
LQRISKD	-0.003821	-0.119013	1.000000	
	0.9294	0.0056		
BE	0.033491	0.769718	-0.099637	1.000000
	0.4374	0.0000	0.0206	

Source: Eviews Output, 2026

Table 3 presents the covariance (correlation) analysis among the study variables. The results indicate that operational risk disclosure (OPRISKD) has a weak positive relationship with corporate market value (COVAL), with a correlation coefficient of 0.023716 and a probability value of 0.5824, suggesting that the relationship is statistically insignificant. Similarly, liquidity risk disclosure (LQRISKD) exhibits a very weak negative correlation with corporate market value ($r = -0.003821$, $p = 0.9294$), indicating the absence of a significant linear association between the variables. Board expertise (BE) also shows a weak positive relationship with corporate market value ($r = 0.033491$, $p = 0.4374$), which is likewise statistically insignificant. These findings suggest that the individual explanatory variables do not exhibit strong direct associations with firm market value at the bivariate level.

The correlation matrix further reveals the relationships among the independent and moderating variables. Operational risk disclosure and board expertise are strongly and positively correlated ($r = 0.769718$, $p = 0.0000$), implying that firms with higher levels of board expertise tend to disclose more operational risk information. Conversely, liquidity risk disclosure is negatively correlated with operational risk disclosure ($r = -0.119013$, $p = 0.0056$) and board expertise ($r = -0.099637$, $p = 0.0206$), although these relationships are relatively weak. Importantly, none of the correlation coefficients exceeds the conventional threshold of 0.80, suggesting that



multicollinearity is unlikely to pose a serious concern in the study. Therefore, the variables are considered suitable for inclusion in the subsequent regression analysis.

Table 4: Multicollinearity Test

Variable	Coefficient Variance	Centered VIF
OPRISKD	0.039022	2.464720
LQRISKD	0.024312	1.014530
BE	0.038081	2.454174
C	1.384322	NA

Source: Eviews Output, 2026

Table 4 presents the results of the multicollinearity test using the Variance Inflation Factor (VIF). The findings show that operational risk disclosure (OPRISKD) has a centered VIF value of 2.464720, liquidity risk disclosure (LQRISKD) has a VIF value of 1.014530, while board expertise (BE) records a VIF value of 2.454174. These values are considerably below the commonly accepted threshold of 10.0 and even below the more conservative benchmark of 5.0, indicating that the explanatory variables are not highly correlated with one another. The coefficient variances also appear relatively low, suggesting stable parameter estimates within the regression model.

The results therefore indicate the absence of serious multicollinearity among the independent and moderating variables included in the study. Although operational risk disclosure and board expertise exhibited a relatively strong positive correlation in the covariance analysis, their VIF values remain within acceptable limits, confirming that the degree of association is not severe enough to distort the regression estimates. Consequently, the variables can be retained in the model without concerns regarding inflated standard errors, unstable coefficients, or reduced reliability of statistical inferences. This implies that the regression results are likely to provide reliable estimates of the relationships among operational risk disclosure, liquidity risk disclosure, board expertise, and corporate market value.



Table 5: Model 1 GMM Analysis

Dependent Variable: CoVal				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
COVAL(-1)	-6.13E-05	0.000226	-0.271498	0.7871
OPRISKD	-0.042043	0.017240	-2.438731	0.0181
LQRISKD	-0.257118	0.047365	-5.428397	0.0000
BE	0.013391	0.013750	0.973886	0.3345
Sum squared resid	3599.118	J-statistic		37.18671
Instrument rank	39	Prob(J-statistic)		0.368626

Source: Eviews Output, 2026

Table 5 presents the Model 1 GMM results on the effect of operational risk disclosure, liquidity risk disclosure, and board expertise on corporate market value. The lagged value of corporate market value is negative and insignificant ($\beta = -0.0000613$, $p = 0.7871$), indicating no persistence effect in firm value over the study period. Operational risk disclosure exerts a significant negative effect on corporate market value ($\beta = -0.042043$, $p = 0.0181$), suggesting that increased disclosure of operational risks may heighten investors' perception of firm vulnerability, thereby reducing market valuation. Similarly, liquidity risk disclosure has a significant negative effect on corporate market value ($\beta = -0.257118$, $p = 0.0000$), implying that extensive disclosure of liquidity-related concerns may signal financial constraints and weaken investor confidence.

However, board expertise shows a positive but insignificant influence on corporate market value ($\beta = 0.013391$, $p = 0.3345$), indicating that the presence of experts on the board alone does not significantly enhance firm valuation. These findings align with recent studies that report negative market reactions to risk disclosures when such disclosures reveal substantial operational and financial uncertainties, while the benefits of board expertise may depend on other governance mechanisms (Ma, et al., 2022; Isiaka, et al., 2025). Furthermore, the Hansen J-statistic probability of 0.3686 confirms the validity of the instruments and the overall robustness of the GMM model.



Table 6: Model 2 GMM Analysis

Dependent Variable: CoVal				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
COVAL(-1)	-0.000201	0.000184	-1.091296	0.2801
OPRISKD*BE	0.003625	0.001764	2.055293	0.0448
LQRISKD*BE	-0.014425	0.001918	-7.520837	0.0000
Sum squared resid	3598.698	J-statistic		32.30870
Instrument rank	38	Prob(J-statistic)		0.598706

Source: Eviews Output, 2026

Table 6 presents the GMM results for the moderating effect of board expertise on the relationship between risk disclosure and corporate market value. The lagged value of corporate market value remains negative and statistically insignificant ($\beta = -0.000201$, $p = 0.2801$), indicating that past firm value does not significantly influence current market value. The interaction between operational risk disclosure and board expertise (OPRISKD*BE) is positive and significant ($\beta = 0.003625$, $p = 0.0448$), suggesting that board expertise strengthens the relationship between operational risk disclosure and corporate market value. This implies that investors perceive operational risk disclosures more favorably when firms possess knowledgeable and experienced board members capable of effectively overseeing risk management and disclosure processes. Recent studies have emphasized that board expertise enhances the credibility and usefulness of corporate disclosures, thereby improving market perceptions and firm valuation (Ma, et al., 2022; Iyoha, et al., 2024).

Conversely, the interaction between liquidity risk disclosure and board expertise (LQRISKD*BE) is negative and highly significant ($\beta = -0.014425$, $p = 0.0000$), indicating that board expertise intensifies the adverse effect of liquidity risk disclosure on corporate market value. This finding suggests that when expert boards disclose liquidity-related risks, investors may interpret such disclosures as highly credible signals of potential financial challenges, resulting in lower market valuation. The result is consistent with the signaling perspective, which argues that credible disclosures of unfavorable information may trigger negative market reactions despite improving transparency (Ojeaga & Ohidoa, 2025; Isiaka, et al., 2025). Furthermore, the Hansen J-statistic probability of 0.5987 confirms the validity of the



instruments employed and indicates that the GMM model is correctly specified and robust for drawing reliable inferences.

Conclusion and Recommendations

This study examined the moderating effect of board expertise on the relationship between operational risk disclosure, liquidity risk disclosure, and corporate market value of listed consumer goods companies in Nigeria. The findings revealed that operational risk disclosure and liquidity risk disclosure exert significant negative effects on corporate market value, while board expertise has a positive but insignificant direct effect on firm value. Furthermore, board expertise significantly moderates the relationship between risk disclosure and market value by strengthening the positive influence of operational risk disclosure while intensifying the negative effect of liquidity risk disclosure. The results suggest that the effectiveness of risk disclosure in influencing market valuation depends largely on the expertise of board members and the nature of the risk information disclosed.

1. Management of listed consumer goods companies should improve the quality, clarity, and strategic presentation of operational risk disclosures to ensure that investors perceive such disclosures as evidence of effective risk management rather than indicators of organizational weakness.
2. Firms should strengthen board expertise by appointing directors with relevant professional qualifications and experience in finance, accounting, risk management, and corporate governance to enhance the credibility and usefulness of corporate disclosures.
3. Companies should accompany liquidity risk disclosures with detailed mitigation strategies and liquidity management plans to reduce the likelihood of negative investor reactions and preserve market value.
4. Regulatory authorities such as the Financial Reporting Council of Nigeria and the Nigerian Exchange Group should encourage greater board competence and provide guidelines for comprehensive risk disclosure practices that promote transparency while safeguarding investor confidence.



5. Investors should consider the level of board expertise when evaluating risk disclosures, as expert boards can significantly influence the credibility and market implications of disclosed risk information.

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