Risk Management Committee Attributes and Financial Performance of Listed Deposit Money Banks in Nigeria

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Abstract
As part of corporate governance, the risk management committee is in charge of reducing risks. Poor risk management has caused many Nigerian banks to fail. This study examined how risk management committee experience, independence, diligence, size, and gender diversity affect deposit money banks' return on assets in Nigeria. A quantitative research design was used to analyse panel data from 13 Nigerian Exchange Group deposit money banks from 2014 to 2023. Secondary data came from sampled banks' annual reports and the NGX Fact Book. The risk management committee's characteristics and return on assets were examined using a random-effects regression model. Five hypotheses were tested with coefficients, z-statistics, and p-values at standard significance levels. The empirical data showed that risk management committee features affect bank performance differently. Committee independence predicted ROA most strongly (Coef. = 1.098, p = 0.008). Financial performance improved with gender diversity (Coef. = 0.212, p = 0.015). Committee size decreased ROA (Coef. = -0.298, p = 0.008), suggesting larger committees may hinder productivity. Despite prior beliefs about these governance procedures, committee knowledge and diligence did not affect bank performance (Coef. = -0.011, p = 0.173 and -0.023, p = 0.819). Banks should go beyond regulatory compliance to ensure risk management committee members' impartiality and objectivity. The benefits of gender diversity should also encourage banks to actively recruit and retain qualified women for risk management committees.

Keywords: Financial performance, risk management committee, deposit money banks

Introduction

People who have a lot of money can give it to people who do not have as much because of the way the financial system works. This is good for the economy and for people's health. Banks that take deposits are a big part of this process. Money mostly goes to families, governments, and enterprises. Homes and businesses are where money mostly comes from. Banks and other middlemen, such as pension and insurance funds, enable money to travel across marketplaces, like the bond market, the money market, and the stock market. One of the most important things banks do is assist people in making deals with money. The Nigerian banking sector has had problems with money because of bad credit exposures, different interest rates, and bad handling of derivatives (Allen & Carletti, 2012). Many people say that the Nigerian financial sector fails a lot because it does not properly manage risk. Banks have risks that are both planned and unexpected, and if these risks are not handled correctly, they can make the bank less stable (Eljelly, 2004).

Nwankwo (2004) contended that bank managers must consider risks while making business decisions, as stakeholders evaluate banks based on their risk management and sharing capabilities. Other issues include insiders using the system for their own gain, not giving enough oversight, worries about liquidity, and bad strategic direction. These risks have been exacerbated because of globalisation and banks' more diverse asset holdings. As banks changed to meet global standards, they took on more risks. Because of these risks, authorities and stakeholders have advised enterprises to do a better job of managing them (Rostami et al., 2015). Audit committees used to be in charge of these kinds of activities, but today they cannot oversee them since banking is so risky. The failure of major companies like Enron and WorldCom showed how weak audit committees are and how much stronger governance structures need to be (Quon et al., 2012). This led to the idea that the board should set up a separate risk management committee (RMC) to deal with risk-related issues (Ibrahim, 2022).

Regulators and shareholders need to look at how a bank is set up and who works there, since these variables can affect how well the bank performs and how stable it is. The size, diligence, competency, and independence of risk management committees are some of the most important factors that show how well they do their jobs. The number of times the risk management committee meets to talk about risk shows how hard they work. Because it knows a lot about accounting and finance (Yatim, 2010), it can find and minimise risks. Independence is also highly important since it stops management from having too much power over the committee, which is excellent for shareholders (Njogo, 2012). Banks can better handle their risk by recruiting directors and risk professionals who know a lot about it. Subramaniam et al. (2009) emphasised that an effectively managed RMC fosters robust communication, establishes benchmarks, and ensures the mitigation of potential financial performance hazards. Setting up RMCs in Nigerian banks is a new way to rule and a strategic necessity for making the economy more stable and ensuring that it stays that way over the long term.

Statement of the problem

Various empirical studies examining the relationship between risk management committees and profitability have yielded divergent outcomes. Some research substantiate significant theories regarding global risk management committees, but other studies contest these concepts (Elamer & Benyazid, 2018). Most of the research in Nigeria have been on corporate governance in the banking and financial sectors, but the different results call for more study.

Existing literature analyses the research conducted by various scholars (Chalaki et al., 2012; Klai & Omri, 2011). Despite being conducted globally, these studies focused on corporate governance attributes and the quality of financial reporting, rather than on financial performance and risk management committees. Akeju & Babatunde (2017) and Onuorah & Friday (2016) focused on corporate governance and the quality of financial reporting in Nigeria. They did not look at financial performance or the risk management committee. The research that was mentioned before did not look at the risk management committee as a factor that affects financial performance.

The broad objective of this study was to find out how the characteristics of risk management committees affect the financial performance of Nigeria's listed deposit money banks, while the specific objectives were to find out if the size, gender, independence, diligence, and expertise of the members of the risk management committee affect the return on assets of listed deposit money banks in Nigeria.

Conceptual Framework

The framework for the discussion of the concept of risk management committee attributes and the financial performance of deposit money banks is shown in Figure 1.

Independent variable **Dependent Variable**

Risk Management Committee Attributes **Financial Performance**

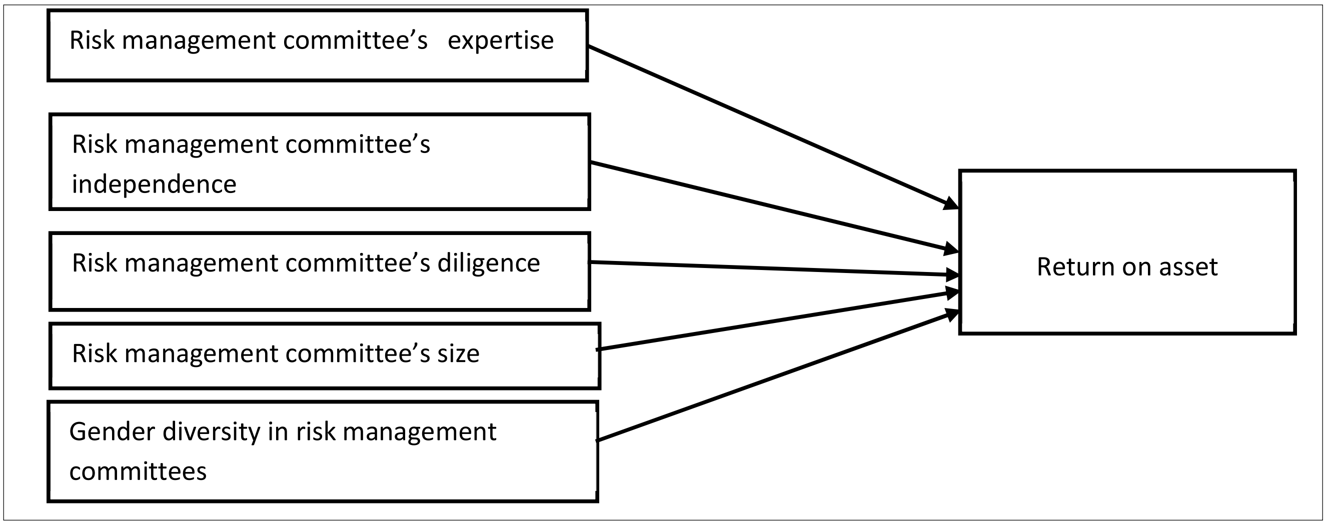

Figure 1: Conceptual framework of variables
Source: Researcher's conceptualisation (2025)

Risk Management Committee's Attributes

Corporate governance guidelines in Nigeria mandate that licensed deposit money banks establish a Risk Management Committee (RMC) as a vital board-level sub-committee. These guidelines specify that the RMC must consist of at least three non-executive directors, with the chairperson being an independent director. The primary responsibilities of the RMC include overseeing the bank's risk management strategy, reviewing risk policies and frameworks, and evaluating the effectiveness of risk controls and monitoring mechanisms (Walker, 2009). Jia et al. (2019) assert that effective Risk Management Committees (RMCs) ensure that those responsible for risk assessment are not simultaneously overseeing the functions they evaluate. This promotes integrity and equity. The committee is crucial as it ensures that management capitalises on opportunities that could enhance shareholder profits (Tao & Hutchinson, 2012). The audit committee was responsible for overseeing risk management. It is essential to establish a new Risk Management Committee, as financial products are becoming increasingly complex and contemporary institutions are facing greater risks.

Risk Management Committee’s Expertise

Members of the risk management committee must possess expertise and training in finance, accounting, or actuarial science before serving on the board. These skills are crucial for assisting committee members in addressing and assessing significant financial issues. The extensive literature on corporate governance emphasises the critical importance of financial acumen among board members. This study investigates the influence of financial competence on the Risk Management Committee (RMC) concerning better monitoring and, therefore, improved financial performance. At present, RMCs are not required to have members with extensive financial knowledge. The Walker Report (2009) asserts that each RMC must include at least one member with substantial expertise in finance and its integration into enterprise risk management (ERM). This level of proficiency is deemed essential for engaging in substantive discussions with higher management concerning significant risk matters (Elamer & Benyazid, 2018).

Risk Management Committee’s Independence

The risk management committee operates independently, indicating that its members, particularly the chair, are not influenced by the bank's leadership and lack intimate affiliations with senior management. According to agency theory, designating an independent director as the chair of the risk management committee enhances the committee's objectivity and ensures that management's risk-taking decisions are rigorously evaluated in alignment with shareholders' interests. This division facilitates impartial examination and reduces the likelihood of conflicts of interest (Abdullah & Valentine, 2009).

Risk Management Committee’s Diligence

The frequency of meetings among risk management committee members demonstrates their diligence and commitment to their oversight responsibilities. Elamer & Benyazid (2018) elucidate that RMC diligence refers to the frequency with which committee members convene to discuss, evaluate, and address risk-related issues. Regular meetings are an effective means to identify and resolve issues promptly, hence enhancing the efficacy of the risk management process. The primary objectives for establishing an independent risk management committee are to ensure that risk management is conducted consistently, comprehensively, and promptly. In this context, vigilance encompasses not only the number of meetings conducted but also the promptness and accuracy with which the committee addressed emerging risk issues. Chou & Buchdadi (2017) assert that an increase in meetings correlates with heightened scrutiny, resulting in greater board involvement in risk-related decision-making.

Risk Management Committee’s Size

Agency theory posits that the magnitude of the risk management committee aids in identifying and monitoring risks identified by management, ensuring adherence to policies and programs, and reporting outcomes to the primary board (Alles et al., 2005). Subramaniam et al. (2009) assert that a substantial RMC size is associated with a greater likelihood of rising agency costs, resulting from significant leverage and increasing operational complexity inside an organisation. Yatim (2010) asserts that the establishment of a separate risk management committee indicates that Boards are committed to improving the overall corporate governance of their organisations. Research on the correlation between RMC and company performance is insufficient, and numerous studies have yielded divergent findings on this subject. Hutchison & Ngoc (2012) assert that the risk committee (RC) and the compensation committee (CC) effectively monitor and regulate risky activities, hence enhancing organisational performance. A board must have sufficient dimensions to be functional. Zubaidah et al. (2009) advised that the board should comprise a minimum of seven executives.

Risk Management Committee's Gender Diversity

An increasing number of persons regard gender diversity as a means to enhance governmental transparency and incorporate diverse perspectives in decision-making. The phrase "gender diversity" refers to the gender composition of the risk management committee within Nigerian banks. It entails examining the representation of various genders on the committee, their experiences, and the challenges they encounter. Furthermore, gender encompasses the experiences and challenges faced by women in leadership positions.

However, we should be concerned, as research indicates that panels comprising individuals of diverse genders may be beneficial. Studies indicate that organisations with greater gender diversity on their committees are likely to achieve higher profitability, generate innovative ideas, and make superior judgements. Substantial data indicate that women are under-represented in risk committees, with bias and discrimination significantly contributing to this issue. Increasing female representation on committees can benefit both corporations and society as large. We must focus on bridging the gender gap and ensuring equitable opportunities for all individuals to participate in committees to enhance diversity and inclusivity in executive positions (Okon et al., 2025).

Financial Performance

Financial performance shows how well a company uses its resources to make money from its main activities. Robin & Amran (2016) say that a business's financial success shows how well it uses its resources to make money and run its business efficiently. It is often used as a general measure of a company's financial health over a certain period of time. Investors, analysts, and other interested parties use financial performance measurements to judge how well companies in the same industry or in different sectors are doing. These numbers show how well a company's plans and activities are working to bring in real money. Common ways to measure a business's financial health are return on assets (ROA), return on investment (ROI), and value added. This study uses Return on Assets (ROA) as a way to measure how well a business is doing financially. ROA shows how well a bank uses its assets to make money. The Return on Assets (ROA) statistic is very important in banking because managing assets and making money are closely related.

Return on Assets

Return on assets is a typical financial statistic that measures how well a firm uses all of its assets to make money. To find Return on Assets (ROA), divide net income (profit after tax) by total assets. It shows how well and efficiently a company's management can turn its assets into earnings. ROA is important in the banking business because it shows how well the bank is able to manage its money, especially loans and investments, to make money. A higher ROA means better performance, which means that the bank is making more money per asset unit, which means that it is using its assets more efficiently. ROA is a key measure for comparing the financial health of banks of different sizes or keeping an eye on how performance changes over time (Ya'u et al., 2025).

Theoretical framework

Agency Theory by Stephen Ross (1973) and Berry Mitnick (1973)

In 1973, Stephen Ross and Barry Mitnick came up with agency theory on their own. In 1976, Jensen and Meckling had a huge impact. It demonstrates how the people in charge of a business (the principals) and the people who work for them (the agents) interact with each other. The argument suggests that conflicts of interest happen a lot because managers, who are in charge of operating the company, may put their personal aims, such as gaining more money, status, or job security, ahead of making the most money for shareholders. Conflicting interests cause challenges for agencies, which can be demonstrated in things like disclosing debts, taking on too much risk, or making earnings look better than they are.

The study employed agency theory as its primary framework, providing a comprehensive understanding of how governance solutions could mitigate conflicts of interest within financial organisations. The risk management committee's job is to make sure that managers don't make decisions that could affect banks, which would hurt shareholders. This study employs agency theory to elucidate how effective governance practices mitigate information asymmetry, enhance accountability, and ultimately elevate firm performance by examining the characteristics of risk management committees, including their independence, expertise, size, diligence, and gender diversity.

Resource Dependency Theory by Pfeiffer (1972) and Pfeffer and Salancik (1978)

Pfeffer (1972) first came up with the resource dependency theory, and then Pfeffer & Salancik (1978) built on it to explain how organisations behave when they depend on outside resources. The theory posits that organisations are not self-sufficient; rather, they function within an environment where they depend on external entities for essential resources required for survival and competitiveness. Since these resources are often controlled by other stakeholders, firms must adapt their strategies, establish linkages, and negotiate with the external environment to secure them (Olajide & Soyibo, 2001). Thus, the success and sustainability of organisations largely depend on how effectively they manage and control access to external resources.

Legitimacy Theory by Dowling and Pfeffer (1975)

Pfeffer developed the idea of resource reliance in 1972. Pfeffer & Salancik (1978) expanded this notion to elucidate the operational dynamics of enterprises dependent on external resources. The theory asserts that organisations are not autonomous; instead, they operate within an ecosystem, relying on external entities for vital resources necessary for existence and competitiveness. Businesses need to adapt their plans, make new connections, and talk to individuals outside of the company because other people own them (Olajide & Soyibo, 2001). So, how well firms regulate and limit access to outside resources is vitally important for their profitability and long-term survival.

The theory further explains that legitimacy functions as an implicit social contract between organisations and society (Deegan et al., 2000; Deegan et al., 2002). This contract reflects the expectations of stakeholders regarding how an organisation should conduct its activities in ways that do not harm the community, environment, or economy. Any misalignment between organisational actions and societal expectations creates a “legitimacy gap,” which threatens public trust and can ultimately jeopardise the survival of the firm (Sethi, 1979).

Empirical Review

Omoregbee et al. (2025) investigated how risk committee attributes influence bank performance of Tier 1 and Tier 2 deposit money banks in Nigeria, using the CAMELS framework and panel data from 2012–2022. They applied panel regression over 11 banks to assess effects on ROE, capital adequacy, and liquidity. Prior research had not distinguished between bank tiers nor used CAMELS metrics. Results showed that larger committee size negatively affects ROE and liquidity in Tier 1 banks; in Tier 2 banks, diversity boosts capital adequacy and liquidity; independence improved liquidity in Tier 2 but had a limited impact elsewhere. The study concluded that optimising committee size and enhancing diversity, especially in Tier 2 banks, will improve performance. It was recommended to refine the committee structure per bank tier and promote diversity to strengthen governance effectiveness.

Yayirus & Usman (2025) assessed the effect of risk management committee attributes on the financial performance of listed deposit money banks in Nigeria. Using panel data from 7 publicly listed DMBs (2012–2022) drawn from annual reports, the authors applied correlation analysis and OLS regression with ROA/ROE as performance measures and RMC size, independence, and meeting frequency (diligence) as the key predictors. The study's gap was its simultaneous estimation of several RMC attributes on Nigerian DMB performance over a full decade, something prior local studies often treated piecemeal. The results showed that RMC size has a statistically significant effect on performance ($p = 0.021$), while RMC independence and RMC meetings exerted negative but insignificant effects. The authors concluded that the composition of the risk committee matters more than the number of times it meets, at least for profitability, and recommended paying closer attention to committee sizing, boosting female participation, and holding regular but value-adding meetings rather than simply increasing frequency.

Oguche et al. (2025) examined the effect of the risk management committee on banks' financial performance with an explicit Nigerian focus and ROA as the outcome. It analysed audited data for all 14 listed DMBs on the NGX (2016–2022) and estimated GLS panel regressions. The gap it filled was to embed risk governance (RMC size/independence) alongside formal risk frameworks (ISO 27001 and COSO) when explaining ROA dimensions usually studied separately. Empirically, ISO 27001 and COSO adoption significantly and positively influence ROA, while RMC structural variables are evaluated alongside them. The authors concluded that formalised risk frameworks amplify performance and recommended wider implementation and rigorous adherence to ISO 27001/COSO in Nigerian banks to strengthen risk processes and outcomes.

Okon et al. (2025) evaluated corporate governance mechanisms explicitly including risk committee independence, size, and gender representation and bank performance for Nigeria's banking sector. Using an emerging-market panel and risk-adjusted performance metrics (risk-adjusted ROA/ROE) within a multivariate regression framework, it updated evidence for 2025. The gap addressed was the risk-adjusted angle, teasing out whether RMC attributes remained performance-relevant after controlling for risk. Core results showed risk committee independence and right-sized committees were performance-enhancing, whereas overly large committees or tokenistic diversity can be counterproductive; the nuance is that the quality and independence of oversight dominate headcounts. The authors concluded that effective, independent RMCs are integral to value creation when performance is evaluated on a risk-adjusted basis, recommending that regulators encourage independence thresholds and banks calibrate RMC size and gender inclusion toward competence (not quotas).

Oghenekaro et al. (2025) investigated RMC characteristics and the earnings capacity of listed DMBs in Africa, drawing a multi-country sample that includes Nigeria, Kenya, and Zimbabwe (2013–2022). It offered a comparative perspective through an ex-post facto design, panel regressions, and complementary descriptive/correlation analyses. The gap was that it only compared RMCs across countries based on their size, independence, gender diversity, accounting/finance expertise, and meeting frequency, not their overall governance. The results were clear: RMC size had a big and bad effect on earnings capacity, RMC independence had a good and big effect, and gender diversity, expertise, and meeting frequency had no effect at all. The authors determined that lean yet autonomous committees optimise performance and advocated moderation in RMC sizing, intentional inclusion of non-executives, and a prudent approach to the assumption that increased meetings or superficial expertise inherently enhance earnings.

Awotomilusi et al. (2025) examined the influence of risk management committee characteristics (size, independence, gender diversity, and meeting frequency) on the market performance of publicly traded insurance firms in Nigeria. The study employed an ex-post-facto design with census sampling from 23 NGX-listed insurance companies between 2012 and 2023, analysing data from annual reports and financial databases through regression techniques. The results showed that the size, independence, and gender diversity of the RMC had a positive and significant effect on market performance, while the frequency of meetings had a negative and significant effect. Consequently, a well-structured and autonomous RMC enhances market performance, while excessive meeting frequency may be detrimental. It was recommended that insurance companies optimise committee size and foster independence and diversity, ensuring that meetings are purposeful rather than merely frequent.

Ya'u et al. (2025) examined the impact of RMC attributes on the earnings quality of listed deposit money banks in Nigeria. A descriptive research design utilising data from 10 of the 14 listed Deposit Money Banks (DMBs) from 2010 to 2022; analysis conducted through descriptive statistics, a correlation matrix, and multiple regression; earnings quality assessed using a model developed by Chang et al. (2008). Numerous studies concentrated on ROA/ROE, yet a limited number specifically examined earnings quality as the outcome within the Nigerian context. RMC attributes had a big effect on earnings quality, but the abstract did not say which attributes or direction they were. RMC traits are important for the quality of earnings in Nigerian banks. Although not explicitly stated, the authors likely advocated that banks fortify the RMC to guarantee more transparent and high-quality earnings reports.

Adedipe & Adeyemi (2025) examined the impact of credit risk management practices on the financial performance (ROA) of specific Nigerian deposit money banks. Panel data from five chosen DMBs; utilisation of Random and Fixed Effects models; ROA as the principal outcome. Published in 2025. The gap addressed the lack of empirical evidence regarding the impact of credit risk management practices (as opposed to committee attributes) on bank performance in Nigeria. The results showed that there is a strong and positive link between credit risk management and ROA. This means that banks that do a good job of managing credit risk do better. In summary, robust credit risk governance was associated with increased profitability. It was advised that banks strengthen credit risk systems, guarantee transparent governance, and conduct regular reviews of risk protocols.

Igbru et al. (2025) examined the relationship between RMC characteristics, such as size, independence, gender diversity, and meeting frequency, and the earnings capacity of banks. By using panel data and econometric testing in several African markets, including Nigerian DMBs, it filled a gap in the literature: most Nigerian studies are limited to Nigeria; this one compared Nigeria to other countries on the continent and tests whether committee characteristics were consistent across different regulatory environments. The results generally indicated that diversity and diligence (meetings) tended to enhance earning potential, whereas excessively large committees may incur coordination costs. The authors concluded that fit-for-purpose RMCs should be lean enough to take action and diverse enough to improve bank outcomes. They suggested limiting the size of RMCs, setting formal meeting schedules, and setting gender-diversity goals. This provided external validity and a cross-country reference point for the effects of RMC attributes on bank earnings (in addition to ROA) for projects in Nigeria only.

In 2024, Akpan and Ufot released research titled "The Effect of Board Composition on the Cost of Capital in Regulated Industries: Evidence from Nigeria." The main aim of the study was to determine the influence of board composition on the cost of capital for Nigerian companies in regulated industries. The researchers employed a panel data methodology to examine data from 25

Nigerian firms over six years. The research indicated that the composition of the board, particularly the ratio of executive to independent directors, significantly influenced the cost of capital. Companies with a greater number of independent directors had lower capital expenditures due to their superior management and more transparency. The research indicated that the composition of the board was crucial for reducing capital costs in regulated sectors. Nigerian businesses should reform their board structures to enhance governance and reduce financing costs. Further study was necessary to examine the influence of board diversity on the cost of capital in non-regulated sectors.

Etim & Obong (2024) undertook a study entitled "Challenges and Opportunities of Larger Boards in Corporate Governance: A Nigerian Perspective." The research aimed to investigate the issues and opportunities linked to larger boards in Nigerian firms, specifically concerning corporate governance standards. The researchers employed a qualitative methodology, conducting interviews with 15 board members and executives from diverse sectors of Nigerian companies. The study revealed that larger boards possess diverse viewpoints; nonetheless, they encounter challenges such as protracted decision-making, difficulties in collaboration, and occasional conflicts among members. Conversely, it was shown that larger boards facilitated the resolution of complex issues and enhanced overall operational efficiency. The study found that Nigerian companies need to be careful about how big their boards are in order to get the most out of their governance. The researchers suggested that larger boards should use best practices in board management to make things easier. The study revealed a deficiency in empirical data regarding the influence of board size on corporate governance within Nigerian firms.

Frank & Ukpong (2024) analysed the characteristics of risk management committees and their influence on the financial performance of publicly traded DMBs in Nigeria from 2013 to 2022. Utilising an ex-post-facto design, purposive sampling of 14 listed commercial banks, and regression analysis, they provided updated evidence spanning the entirety of the recent decade. The study discovered that committee diligence has a significant and positive impact on financial performance, whereas size and independence exhibited negative effects that were statistically insignificant. The study found that diligence is one of the most important traits for a committee. It was suggested that banks should have RMC meetings more often and for longer periods of time in order to improve diligence and, by extension, performance.

Smith & Larsen (2024) conducted a study entitled "Gender Diversity and Corporate Governance: Lessons from European Markets." The study examined the impact of gender diversity on corporate governance in European firms. The researchers employed a comprehensive dataset of European companies listed on major stock markets, covering the period from 2010 to 2020. The study found that organisations with boards that included both men and women often had stronger governance structures. This was because having women on the board brought in different points of view that made decision-making fairer. Additionally, boards composed of individuals of varying genders were associated with reduced agency costs, enhanced shareholder relations, and improved alignment of management choices with shareholder interests. The research revealed that including individuals of diverse genders on a board enhances corporate governance by fostering transparency and accountability in decision-making. The research indicated that European firms should implement initiatives to increase female representation on their boards. A research need noted was the need for further investigations into the impact of gender diversity on corporate governance in emerging countries outside of Europe.

Apochi & Baffa (2022) contended that the global financial crisis of 2008, alongside the economic turmoil induced by the emergence of COVID-19, adversely affected financial institutions, leading to a debt crisis in the Nigerian banking system. The banking sector has a risk management framework, but credit is still a major factor that affects banks more than other factors. This is mostly because of the risk involved and how it affects the economy. This research examined the effect of credit risk on the financial performance of 13 deposit money banks in Nigeria from 2012 to 2021, emphasising the role of the risk management committee. The research utilised the theory of financial distress. The research utilised the census sampling method. A regression model was utilised to analyse the panel data. The multiple regression analysis demonstrated a statistically significant and adverse impact of credit risk on financial performance. The study revealed that the risk management committee acted as a moderating factor in the relationship between credit risk and the financial performance of deposit money banks in Nigeria. It was noted that credit risk exerted a positive and significant influence on the financial performance of these banks. The report said that Nigeria's Deposit Money Banks (DMBs) should improve their risk management policies so that borrowers can get credit more easily. It also suggested that the board of directors should take an active role in managing the credit facilities that are available to clients.

Methodology

This study employed an ex-post facto research design. This design was appropriate since the financial data that was analysed already exists in the banks' annual reports and cannot be altered by the researcher, ensuring objectivity. The population consisted of all deposit money banks listed on the floor of the Nigerian Exchange Group from 2014 to 2023. Based on the Nigerian Exchange Group's "Listed Companies" and regulatory filings, the population of deposit money banks whose equity has appeared on the NGX floor at any point between 2014 and 2023 consists of 15 institutions. Two banks (Diamond and Skye) were removed owing to their merger and takeover, respectively, during the period. Therefore, 13 deposit money banks were used as the sample size.

Method of Data Analysis

The researcher conducted pre-estimation diagnostics to examine the impact of the risk management committee on the financial performance of listed deposit money institutions in Nigeria. This analysis included descriptive statistics, correlation analyses, and an assessment of the normality of residuals. The null hypothesis was to be accepted when the probability value (P-value) was greater than 0.05 (5 per cent). Otherwise, the null hypothesis was to be rejected, and the alternative hypothesis accepted. This conventional decision rule ensured objectivity in hypothesis testing and aligned with standard econometric practice.

Model Specification and Variable Measurement

The model for this study was adapted from Omorokunwa & Ogbeide (2021) and was modified to suit the objectives of the study. The econometric function was specified as:

Financial performance = *f* (Risk management committee expertise, risk management committee independence, risk management committee diligence, risk management committee size, risk management committee gender diversity)

$$\mathbf{ROA_{it} = \partial_0 + \partial_1 RME_{it} + \partial_2 RMI_{it} + \partial_3 RMD_{it} + \partial_4 RMS_{it} + \partial_5 RMG_{it} + \mu_{it}} \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots(1)$$

Where:

ROA	=	Return on asset (Measure of financial performance)
RME	=	Risk management committee expertise
RMI	=	Risk management committee independence
RMD	=	Risk management committee diligence
RMS	=	Risk management committee size
RMG	=	Risk management committee gender diversity
$\partial 0$	=	Model intercept
$\partial_1 \ldots\ldots \partial_5$	=	Coefficient to be estimated, where $\partial 1 \ldots\ldots \partial_5 > 0$
It	=	Cross-section of listed banks with time variant
μit	=	stochastic error term

Regression Analysis

To analyse the impact of the independent factors on the dependent variables and to evaluate the specified hypotheses, panel fixed and random regression analysis is used due to the detection of heteroskedasticity in the results. Nevertheless, the outcomes obtained from the panel fixed and random regression, as well as the Panel Least Squares regression analysis, are presented and discussed in the following section.

Table 1: Regression analysis

	ROA Model (Pooled OLS)	ROA Model (FIXED Effect)	ROA Model (RANDOM Effect)
C	**0.13**	**-0.35**	**0.13**
	{0.025}	**{0.061}**	**{0.025}**
RME	**0.12**	**0.11**	**0.12**
	{0.213}	**{0.173}**	**{0.213}**
RMI	**0.88**	**1.10**	**0.88**
	{0.012}**	**{0.008}****	**{0.012}****
RMD	**-0.09**	**-0.02**	**-0.09**
	{0.425}	**{0.819}**	**{0.425}**
RMS	**-0.23**	**0.85**	**-0.23**
	{0.008} **	**{0.008} ****	**{0.008} ****
RMG	**0.19**	**0.21**	**0.19**
	{0.015}**	**{0.019}****	**{0.015}****
F-statistics/Wald Statistics	**4.23(0.0012)**	**13.78(0.0000)**	**23.45 (0.0000)**
R- Squared	**0.2345**	**0. 3234**	**0.3456**
VIF Test	**1.28**		
Heteroscedasticity Test	**45.67(0.0000) *****		
HAUSMAN		**Prob>chi2 =**	**12.45 (0.0291)**

VIF < 10 indicates no serious multicollinearity concerns
Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
Ho: Constant variance
Variables: fitted values of reta
chi2(1) = 52.18
Prob > chi2 = 0.0000
Note: t & z -statistics and respective probabilities are represented in () and {}
Where: ** represents 5% & * represent 1% level of significance**
Source: Researcher's computations (2025)

Test of Hypotheses

Ho$_1$: The expertise of the risk management committee does not have any significant effect on the return on assets of deposit money banks in Nigeria.

The null hypothesis one argues that the expertise of the risk management committee does not have any significant effect on the return on assets of deposit money banks in Nigeria. The random effect regression model presented in Table 1 reveals the result of the variables as follows: (Coef. = -0.011, z = 1.36 and P -P-value = 0.173). The result indicates that a one unit increase in the value of expertise of the risk management committee will yield a statistically non-significant effect on the return on assets of deposit money banks in Nigeria during the period under consideration. While the coefficient is positive, suggesting expertise may improve ROA, the effect is not statistically significant at conventional levels. Based on the result, the study could not reject the null hypothesis, which states that the expertise of the risk management committee does not have any significant effect on the return on assets of deposit money banks in Nigeria.

Ho2: The independence of the risk management committee does not have any significant effect on the return on assets of deposit money banks listed in Nigeria.

The result obtained from the random-effects regression model revealed that independence of the risk management committee [Coef. = 1.098, z = 2.67 and Prob. z = 0.008] has a highly significant positive effect on the return on assets of deposit money banks listed in Nigeria. With the p-value {(0.008) < 0.01}, the result indicates that committee independence has a strong positive effect on ROA. Based on the result, the study rejects the null hypothesis that the independence of the risk management committee does not have any significant effect on the return on assets of deposit money banks listed in Nigeria.

Ho3: The level of diligence of the risk management committee does not have any significant effect on the return on assets of deposit money banks in Nigeria.

The result obtained from the random-effect regression model revealed that structural capital [Coef. = -0.023, z = -0.23, and Prob. z = 0.819] has no statistically significant effect on the return on assets of deposit money banks in Nigeria. In line with the ceteris paribus axiom, the results show that a one unit increase in the level of diligence of the risk management committee will not yield any statistically significant effect on return on assets of deposit money banks in Nigeria during the period under consideration {p-value (0.819) > 0.05}. The coefficient is negative but negligible and not statistically different from zero. Based on the result, the study could not reject the null hypothesis that the level of diligence of the risk management committee does not have any significant effect on the return on assets of deposit money banks in Nigeria.

Ho4: The Risk management committee's size does not have any significant effect on the return on assets of deposit money banks in Nigeria.

The result obtained from the random-effects regression model revealed that the size of the risk management committee [Coef. = -0.298, z = -2.63 and Prob. z = 0.008] has a highly significant negative effect on the return on assets of deposit money banks listed in Nigeria. With the p-value {(0.008) < 0.01}, the result indicates that the committee's size has a strong positive effect on ROA. Based on the result, the study rejects the null hypothesis that the size of the risk management committee does not have any significant effect on the return on assets of deposit money banks listed in Nigeria.

Ho5: Gender diversity in risk management committees does not have any significant effect on the return on assets of deposit money banks in Nigeria.

The result of the random-effects regression model revealed that the size of the risk management committee [Coef. = 0.212, z = 2.42, and Prob. z = 0.015] has a highly significant positive effect on the return on assets of deposit money banks listed in Nigeria. With the p-value {(0.015) < 0.05}, the result indicates that the committee's gender diversity has a strong positive effect on ROA. Based on the result, the study rejects the null hypothesis that gender diversity of the risk management committee does not have any significant effect on the return on assets of deposit money banks listed in Nigeria.

Conclusion

According to empirical evidence, the study derives several crucial conclusions: The independence of risk management committees is crucial for improving bank performance; independent committees are more likely to make stakeholder-friendly choices and provide objective supervision; gender diversity in risk management committees improves bank profitability through diverse perspectives and improved decision-making; larger committees may experience coordination issues, slower decision-making, and reduced accountability, resulting in inferior performance; expertise alone does not guarantee improved financial performance without additional governance procedures; and increasing committee meeting frequency does not inevitably lead to better bank performance.

Recommendations

Based on these findings, several recommendations emerge for Nigerian deposit money banks and regulatory authorities:

1. Banks should ensure genuine independence of risk management committee members, going beyond regulatory compliance to foster truly objective oversight. This may require reviewing appointment processes, compensation structures, and reporting relationships.
2. Banks should resist the tendency to expand committee membership and instead focus on maintaining lean, effective teams. The optimal size likely balances diverse expertise with efficient decision-making, suggesting committees of 4-6 members may be ideal.
3. The positive effect of gender diversity should motivate banks to actively recruit and retain qualified women for risk management committees. This requires addressing systemic barriers and creating supportive environments for diverse participation.
4. While expertise showed no significant effect, banks should not abandon competency requirements but rather reconsider how expertise is defined, developed, and deployed within committees. Similarly, diligence metrics should shift from quantity to quality of engagement.
5. Regulators should consider these findings when updating governance guidelines, particularly emphasising independence requirements and diversity targets while providing flexibility in expertise definitions and meeting frequencies.

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